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Mitterrand, in Bonn, Urges 'Europe of Common Culture'

Reuters

BONN — President François Mitterrand of France called Monday for the creation of a "Europe of common culture" in which a shared identity would bind traditional foes together for a technological leap forward.

"For centuries, the nations of Europe reinforced their identity through antagonism, and they themselves were often created through violence," Mr. Mitterrand said in a speech at the start of a four-day state visit.

"Today, now that the desire to dominate has given way to a spirit of dialogue, we must evolve and change our mentality. We will build a Europe of common culture by protecting our own identities."

Mr. Mitterrand's talks were expected to focus on East-West relations, preparations for a forthcoming European Community meeting in Copenhagen, and bilateral issues.

He placed particular emphasis on the relationship between France and West Germany, which he said was "indispensable" for the construction of Europe.

Cooperation would have been unthinkable at the end of World War II, when France was still recovering from the Nazi occupation, he said, but it has since become almost routine.

Technical collaboration is now crucial, he said.

Mozambique Honors Machel

The future of our two nations depends on our will to keep ourselves jointly at the forefront of technological progress," he said adding that West German and French universities and research centers had an important role to play.

French officials said that Mr. Mitterrand, who regularly travels to West Germany for working visits with Chancellor Helmut Kohl, had earlier felt that a formal state visit was unnecessary. But he later decided that he wanted to round off his presidency with an official tour of West Germany, they said.

Mr. Mitterrand's visit is part of regular high-level contacts that began during joint Franco-German military maneuvers in September and will culminate in January in 25th-anniversary celebrations of the Elysee friendship treaty between Bonn and Paris, the founding members of the European Community.

After the speech, Mr. Mitterrand held talks with his host, President Richard von Weizsäcker, on security and defense issues, a presidential spokesman said.

On Tuesday, he will underscore the importance of the Franco-German friendship treaty with a visit to the grave of Konrad Adenauer, the chancellor who agreed on the pact with de Gaulle.

Mr. Mitterrand was also scheduled to meet Mr. Kohl; Foreign Minister Hans-Dietrich Genscher; the Social Democratic opposition leader, Hans-Jochen Vogel; the Bavarian premier, Franz-Josef Strauss; and representatives from the radical Greens party in Bonn.

The Socialist head of state, whose seven-year term of office ends early next year, will also travel to the Rhineland cities of Cologne and Düsseldorf and plans a major speech in the historic city of Aachen, which lies on the border between France, West Germany and Belgium.

Swiss Coalition Holds Off Green Parties

The Associated Press

BERN — Gains by environmental parties in Swiss parliamentary elections did not challenge the four-party coalition that has governed the country since 1959, virtually unbroken returns showed Monday.

The coalition's more than three-quarters majority in the 200-member National Council, or lower house, was reduced by 8 seats, to 158. Most newspaper commentators agreed that the vote once more reflected Swiss political stability.

The advance by the Green Party and the Green Alliance was less marked than they had forecast and came chiefly at the expense of the left-of-center Social Democratic Party. Of the four coalition allies, the Social Democrats are the most prominent advocates of ecological causes.

Concern for the environment dominated debates in the largely lackluster campaign.

But the Chernobyl nuclear plant disaster in the Soviet Union and a toxic spill from a Swiss chemical

plant that provoked an international uproar last November did not set off the Green landslide that some analysts had predicted.

Social issues were only a secondary theme in the country, which has the West's lowest unemployment rate and highest per capita national income, and foreign policy problems were totally absent in the discussions.

Turnout, never above 50 percent in the past few elections, was expected to hit a new low.

According to final results from

20 cantons and projections from the remaining 3, the Social Democrats lost seven seats, with the environmental groups picking up a combined six.

The Green Party, an ideologically independent group that is thoroughly environment-oriented and stands clear of left-right distinctions, increased its representation in the legislature from four to nine seats.

The Green Alliance, which has a leftist tinge, made less headway.

On the other end of the political spectrum, a newly founded Auto Party, chiefly known for campaigning in favor of raising speed limits, surprised analysts by winning two seats.

The Swiss People's Party, the smallest and most conservative partner in the government coalition, also scored gains, adding 3 to its 23 seats in the lower house.

In the coalition, this almost offset the loss of four seats registered by the right-of-center Radical Democrats, who, however, remained the strongest faction, with 50 members.

The Christian Democrats held their own with 42 seats, outstripping the Social Democrats, at 40, for the first time since 1919.

Elections to the 46-seat Council of States, or senate, virtually confirmed the makeup of the incoming upper house, except for the surprisingly high backing for a woman candidate of the opposition Alliance of Independents. Monika Weber, former president of the Swiss Consumers' Association, received 193,000 votes in Zurich, the country's most populous canton.

Hungarian Consul's Son Ordered Out of Australia

Reuters

SYDNEY — The son of a Hungarian diplomat was ordered to leave Australia for trying to export high-technology computer equipment in violation of regulations, a Foreign Affairs spokesman said Monday. The sale of certain computer equipment and other high-technology goods to East bloc nations is banned in Australia.

The action against Gabor Kiska, 27, son of the Hungarian commercial consul, Ferenc Kiska, followed investigation by Australian intelligence agents. Mr. Kiska left for Budapest on Oct. 10, the spokesman said.

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WORLD BRIEFS

Belgian Leader Gets Caretaker Role

BRUSSELS (Reuters) — King Baudouin accepted the resignation of Belgium's center-right coalition government Monday after talks failed to resolve a linguistic dispute.

The king asked the outgoing prime minister, Wilfried Martens, 51, to form a caretaker government with a limited mandate until a general election is held, probably within the next few months. A government spokesman said Mr. Martens, the longest-serving Belgian prime minister since World War II, would begin talks immediately with other political leaders.

Mr. Martens offered his resignation Thursday after his coalition split along language lines over a militant rural French-speaking official, Jean-Hubert Pappart, who refuses to take a test in Dutch although the village of Fourons, where he is mayor, is in a Dutch-speaking region.

Yugoslavs Face Economic Restraints

BELGRADE (Reuters) — Prime Minister Branko Mikulic called Monday for higher taxes and wage and price restraints to rein in Yugoslavia's soaring inflation and foreign debt.

Mr. Mikulic told the legislature he would overhaul the taxation system targeting property, interest on savings and people earning high wages. President Lazar Mojov, whose speech was interrupted for 30 minutes when he became ill, urged the legislature to support the measures.

Nancy Reagan Continues Recovery

WASHINGTON (AP) — Nancy Reagan "continues wonderful" and continuing a strong recovery after the surgical removal of her left breast, President Ronald Reagan's physician said Monday.

The White House spokesman, Marlin Fitzwater, reading a statement from the presidential physician, Dr. John Hutton, said that the president intended to make his fourth visit to Bethesda Naval Hospital in Maryland to be with his wife later in the day.

Mr. Fitzwater reported that Mrs. Reagan, 66, spent part of Sunday evening walking around in her suite. On Monday, she had a full breakfast, the spokesman said. Doctors told the couple Sunday that final laboratory test showed that Mrs. Reagan's cancer had not spread and the prognosis for her full recovery was excellent.

High Court Rebuffs Reagan on Visa

WASHINGTON (UPI) — The Supreme Court affirmed Monday a ruling that the Reagan administration cannot refuse visas to foreigners invited to make speeches in the United States because they are Communists or belong to anti-American groups.

The court, in the first ruling of its new term, deadlocked 3-3 in the action affirming the lower court ruling. The court is one justice short since the retirement of Justice Lewis F. Powell Jr. Justices Harry F. Blackmun and Antonin Scalia took no part in the decision.

The decision to affirm the ruling by the U.S. Circuit Court of Appeals for the District of Columbia is a defeat for the government, which has frequently denied visas to leftist political and literary figures seeking to speak in the United States. However, the effect of the ruling is limited since a ruling by an equally divided court sets no national precedent and only directly applies to the appeals court case originated from.

Stennis Won't Seek Senate Re-election

JACKSON, Mississippi (AP) — Senator John C. Stennis, a Democrat from Mississippi and the longest-serving member in the U.S. Senate, said Monday that he will not seek re-election next year to the seat he has held since 1947.

Mr. Stennis, 86, president *pro tempore* of the Senate and chairman of the Senate Appropriations Committee, said that another term would keep him working until he was 93. The announcement came as he underwent "a surgical procedure to correct a prostate gland problem" at Walter Reed Army Medical Center in Washington. A hospital statement described the operation as "a relatively common procedure to relieve a partial obstruction of his bladder." It said that "there was no evidence of cancer."

His decision will leave him just eight months short of the Senate longevity record. He would have to serve until Sept. 18, 1989, to break the service record of 41 years, 10 months and 12 days set by Carl Hayden, a Democrat from Arizona, who retired from the Senate in 1969.

Pretoria Rejects Vancouver Criticism

PRETORIA (AP) — Decisions of the Commonwealth conference in Vancouver last week were "irrelevant and did not merit further attention," Foreign Minister R.F. Botha said Monday.

"The circumstances in which the conference took place and the decisions taken on South Africa were, with one exception, more revealing about the harrowing conditions in the countries of the majority of governments present than any extent to which they cast a credible reflection on South Africa," Mr. Botha said in a statement. All conference participants except Britain called for intensified sanctions against Pretoria.

The South African minister added: "What is nevertheless interesting is that the conference provided an opportunity to give prominence to a report by Amnesty International, which sharply condemned 33 of the member countries for the neglect and violation of fundamental rights of those countries."

For the Record

South African policemen hurled hand grenades into a house, killing a black man, after officers were shot at with a Soviet-made automatic rifle, a police spokesman said Monday. The police reported that the shooting Sunday occurred near Bloemfontein in Orange Free State. (UPI)

Two Arabs from the Israeli-occupied West Bank were convicted in a military court in Jerusalem on Sunday for the 1986 murder of a moderate Palestinian mayor, an army spokesman said. Muad Abdel Samad and Ahmed Hanina were convicted of killing Zafir al-Masri, the Israeli-appointed mayor of Nablus. (AP)

Twenty-eight Danish fishing vessels turned fire hoses on the incinerator ship Vulcanus II in the North Sea on Sunday, and the ship stopped burning toxic wastes after its propeller became entangled with a fishing net, the Greenpeace environmentalist organization said. (AP)

TRAVEL UPDATE

Strife Doesn't Deter Ulster Tourists

BELFAST (Reuters) — Tourism in Northern Ireland is expected to rise 6 percent in 1987 despite the most violent year of political sectarian strife since 1969, according to tourism officials.

A visitor survey showed that curiosity, an interest in politics and history, and a desire to see if news media accounts of the conflict were accurate had brought 34 percent of the visitors to the province. Beautiful countryside attracted 28 percent and friends and relatives 27 percent.

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Baby Without a Brain Is Used as Organ Donor, Raising New Possibilities and Issues

By Sandra Blakeslee
New York Times Service

LOS ANGELES — In a radical departure last week from standard medical practice, doctors in Canada kept alive a baby born without most of her brain so that her heart might be salvaged for a transplant operation.

The baby, connected to a respirator, was flown to California where her heart was given to a boy delivered hours before.

Without mechanical life support, the organs of brain-absent infants, or anencephalics, tend to atrophy as the babies slowly die, usually within a few days of birth. Transplant centers routinely reject anencephalic donors because they are not considered dead under state laws and medical society standards. By the time they are legally

dead, their organs are useless for transplanting.

Medical experts said they knew of no other case since these laws and standards were adopted in the early 1980s in which doctors acknowledged using a brain-absent baby as an organ donor.

The transplant operation Friday has gained wide attention because of the age of the recipient, but doctors and ethicists say it is the exceptional treatment of the donor that opens the possibilities for hundreds of more transplant operations and raises difficult moral decisions for parents and physicians.

The donor, called Baby Gabrielle by her doctors, was born Oct. 12 and taken to Children's Hospital in London, Ontario, where she was connected to a respirator.

Her condition was diagnosed late in her mother's pregnancy, ac-

cording to Dr. Tim Freewen, chief of pediatrics at the hospital. He said Gabrielle's parents, from Orillia near London, made the decision to keep the baby alive and connected to machines so that her organs would remain healthy.

The parents insisted that they wanted their infant's organs used, Dr. Freewen said in a telephone interview. "They wanted to see that their baby would touch others and contribute to life some way."

Dr. Freewen said he attended a conference in Ontario in January on the use of anencephalics as organ donors. "The consensus was that in the presence of consenting parents it was ethical to offer life support," he said.

But until Gabrielle's parents asked about the possibility of donating her organs, the theories developed at the conference had not been put into practice.

Organ transplants are in very short supply. Experts estimate that from 40 percent to 70 percent of children under 2 years

old who are on transplant waiting lists die before suitable organs can be found. There are 400 to 500 newborn infants who need hearts and kidneys and 500 to 1,000 who need livers, according to Alexander Kapoor, professor of law, medicine and public policy at the University of Southern California.

If organs from the 2,000 to 3,000 anencephalic infants born each year in the United States could be used for transplant, experts say many more lives could be saved.

But the new practice raises new issues as it solves old ones.

It has not been deemed ethical to use anencephalic infants as transplant donors in North America because, lacking brains, they do not meet strict criteria for brain death and thus are not considered legally dead, said Dr. Michael Harrison, a pediatric surgeon at the University of California in San Francisco. Although anencephalics lack all or most of their cerebral hemispheres, they have lower brain stems that keep their hearts and other organs functioning.

When anencephalic babies are born, Dr. Harrison said, they are made as comfortable as possible. Food and water are given, but no efforts are made to preserve life. The infants are doomed to die within a few days of birth.

As their brain stems slowly stop functioning, however, their organs deteriorate and cannot be used for transplanting. Several efforts to amend the brain death laws so that anencephalic babies could be used as organ donors while still technically alive have not been successful.

Late Wednesday afternoon, it was determined that Gabrielle could no longer breathe without the respirator. At that point she met the legal criteria for brain death, Dr. Freewen said, and because she had been kept alive, her organs were still healthy.

Transplant coordinators in Canada and the United States then worked to find recipients for her

organs. Arrangements were made to fly her body to California for the heart transplant operation Friday.

Dr. Calvin Stiller, chief of the Multi-Organ Transplant Service and professor of medicine at University Hospital in London, Ontario, said the Canadians felt it was

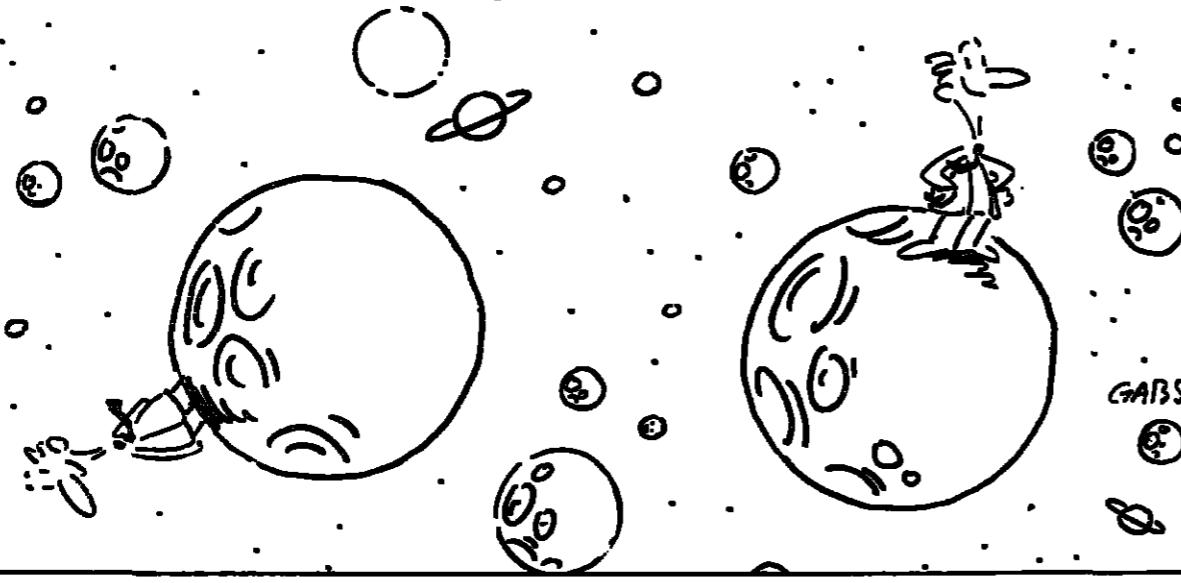
"If you took it to its macabre extension," he said, "it would be to bury a breathing corpse."

Nevertheless, doctors predicted that the strategy would open the door to much wider use of brain-absent infants as organ donors.



END OF AN ORDEAL — Jessica McClure sleeping in the lap of her mother, Reba, on Monday as her father, Chip, held her injured foot. The 18-month-old child is recovering in a Midland, Texas, hospital after falling into a well. She was rescued two days later.

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U.S. Studies Find Women With AIDS Die Significantly Sooner Than Men

By Gina Kolata
New York Times Service

NEW YORK — Women with AIDS are sicker and are dying more quickly than men who have the disease. The finding is shocking and puzzling researchers.

Although there are no good national data on the comparative experiences of women and men with acquired immune deficiency syndrome, studies in New York, Miami and California have found that women are dying significantly faster than men after being diagnosed with AIDS.

Experts said there were several possible nonbiological reasons that women with AIDS might have shorter survival times and that these reasons must be ruled out before too much is made of the finding. So far, however, the groups in New York, Miami and California have excluded at least some of the possible explanations.

It could be, for example, that the data really reflect a comparison of a group of predominantly homosexual men with a group of predominantly intravenous drug-using women, experts said. Homosexual men are known to have much better survival times than intravenous drug users. Researchers speculate that this is because the drug users are sicker to begin with and may be less likely to seek medical care.

But in California, according to Mr. Harder, the women "in general are partners of intravenous drug users." Most of the women did not use drugs themselves; they were infected through sexual intercourse.

In New York, according to Dr. Rand Stoneburner of the New York City Health Department, women with AIDS fared worse than men even when drug use was taken into account. Sixty percent of the New York women in the study used intravenous drugs, 23 percent were infected through sexual intercourse and most of the rest were infected through blood transfusions or were from Haiti, a country where heterosexual transmission of the AIDS virus is common.

The New York women, according to Dr. Fischl, were almost equally divided between intravenous drug users and Haitians. A small number were infected through sexual intercourse or blood transfusions.

It could also be that the women

lived an average of more than a year.

Mr. Harder was directing a consulting project for the state of California and thus had access to the data.

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use drugs themselves; they were

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course or blood transfusions.

It could also be that the women

were poorer than the men and had less access to medical care, experts said. In Miami, Dr. Fischl said, about 75 percent of the men in the study were poor, as were virtually all of the women.

Other social factors, too, might explain the findings. Mr. Harder suggests that since AIDS is still rare among women in California, doctors may not consider it when they see a female patient.

But in New York, where AIDS in women is increasingly common, the basic factor is that "gender seems to play a role" in the variety of AIDS infections, Dr. Stoneburner said.

And if pregnancy does exacerbate an AIDS infection, experts said, this, too, raises more questions than answers about how and why the hormonal and immune system changes of pregnancy have that effect.

Although scientists suspect that there are changes in the immune system during pregnancy, Dr. Susan Cowchock of Jefferson Medical College in Philadelphia said, "We don't see many obvious changes in a normal pregnancy." The immune system changes, she added, are thought to be subtle and very specific.

Hormonal changes, in contrast,

are obvious during pregnancy. Dr. Cowchock said. Sex hormones are present at substantially higher levels and there are greater concentrations of other hormones as well, including steroid hormones and thyroid hormones.

Although both male and female sex hormones could be important in the course of the AIDS infection, Dr. Fischl said, "It is impossible to speculate at this point."

Laurel and Enrile Form Alliance for Local Poll

The Associated Press

MANILA — Vice President Salvador Laurel said Monday that he was joining forces with Juan Ponce Enrile, a former defense minister, and now a government opponent for local elections.

The vice president said his and Mr. Enrile were forming a "political alliance" to support candidates in the Jan. 18 local elections, but said they were not opposing the president.

Reports of an alliance between Mr. Enrile and Mr. Laurel fueled speculation that conservative groups were organizing an "alternative government" in case Mrs. Aquino is toppled in a coup.

Her term expires June 30, 1992. "I think a great deal will depend on how she handles the situation right now," Mr. Laurel said. "If she makes the right decisions, decisive moves, I think she will last the

measure of her term. But if she makes mistakes left and right, she may not."

The Aquino administration is trying to restore public confidence after an Aug. 28 coup attempt in which 53 persons died and hundreds were wounded. It was the gravest threat to Mrs. Aquino since she came to power in a February 1986 civilian-military rebellion in which President Ferdinand E. Marcos was overthrown.

On Sunday, rebel troops believed linked to a renegade officer, Lieutenant Colonel Reynaldo Cabauatan, stole an armored personnel carrier from arms headquarters and drove it to Santo Tomas University.

Troops and tanks rushed to the presidential palace and university area, and security was increased at military installations in the capital.

The acting governor of Manila, Jejomar Binay, said that Colonel Cabauatan planned to begin an attack on the presidential compound from the campus.

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Asia and Pacific Nations Come to Grips With Surge of Ethnic and Religious Tension

By Michael Richardson
International Herald Tribune

SINGAPORE — A surge of ethnic and religious pressures across Southeast Asia and the Southwest Pacific, a region dominated by pluralistic societies, has prompted governments to intensify efforts to end ways to maintain national unity.

Fiji, New Caledonia, Australia, New Zealand, Indonesia, Singapore and Malaysia are affected, analysts say.

At the heart of the ferment, they say, is the relationship between original inhabitants and those who were settled later, particularly Chinese, Indians and Europeans.

In Fiji, New Caledonia and Ma-

laysia, differences have been in-

creased by recent political conflicts,

and resurgence of Islam in Indo-

nized Malaysia, and of Chris-

tianity in Singapore, has also created tensions.

The conflicts between native

communities and settlers are often

complicated by religious, language

and cultural differences.

Analysts say real and feared dis-

crimination, cultural and religious oppression, loss of land and exclusion from the benefit of economic growth are the main reasons for minority discontent.

Advocates of policies favoring indigenous races seek to provide assurances against dominance by outsiders, thus helping to maintain national harmony.

Critics contend that such policies widen and perpetuate racial, religious, linguistic and cultural divisions.

In Singapore, where Chinese form slightly more than three-quarters of the population, the government is considering ways of guaranteeing future representation of minority Malays and Indians in Parliament and in the cabinet.

Prime Minister Lee Kuan Yew said Friday that to "survive as one people in one nation, when you are really the products of thousands of years of separate nations," required a conscious effort of tolerance.

Goh Chok Tong, first deputy prime minister of Singapore, said earlier this year that rebellion by Tamils against control by majority

Sinhalese in Sri Lanka was an important lesson for all multiracial societies.

It showed, he said, that ethnic minorities "must feel alienated when they are discriminated against and do not enjoy the benefits of national progress."

In Indonesia, the government is promoting a national ideology known as Pancasila to bridge religious, racial and political differences. Its five principles are belief in one God, humanitarianism, national unity, consensus democracy and social justice.

Under a law passed in 1985, major organizations, including political parties, religious groups and trade unions, must adopt Pancasila as the guiding ideology in their constitutions.

Diplomats in Jakarta said widespread acceptance of the ideology had helped to reduce tensions.

Prime Minister Bob Hawke of Australia said last month that before Australia celebrated 200 years of European settlement in January he would try to conclude an agree-

ment with aborigines recognizing injustices against them.

Charles Perkins, head of the Department of Aboriginal Affairs in Canberra, said aborigines wanted a treaty that would be made part of the Constitution.

It should, he said, recognize the aborigines' prior ownership of Australia, as well as their laws, culture and sacred sites. He said it ought to help them to improve health, educational and living standards that he said were generally "disgraceful."

Mr. Perkins is an aborigine.

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TUESDAY, OCTOBER 20, 1987

INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

Ban Chemical Weapons

Quite suddenly the possibility arises of Soviet and American agreement on banning the production, storage, transfer and use of chemical weapons. These are not the main weapons in either great power's arsenal, but they have a special aura of horror and are part of the immense attack capability that the Kremlin has prepared in Europe.

Since chemical weapons are available to non-nuclear countries as well as to nuclear ones, the international negotiations organized to contain them have gone on in the 40-nation Committee of Disarmament in Geneva. For years Moscow stonewalled and no progress was made, but now Soviet policy has changed, possibly in part because the Reagan administration finally persuaded the U.S. Congress to start down the road to producing new chemical weapons — a development that we thought was wrong and still think is dangerous, but one which seems to have had a useful strategic effect.

According to the Kremlin, the Soviet Union has already stopped producing chemical weapons does not store them outside its borders and will destroy its stockpiles upon conclusion of an international treaty. Demonstrating the new Soviet embrace of on-site inspection, foreign experts, including American officials, were recently invited to the Shchuchye chemical weapons facility. But the visit, presumably intended to build confidence, built doubt, too. Not all the weapons that the Soviets are thought to possess were put on view, and the Kremlin still insists that it will not report on its stockpiles until a treaty is done.

Chemical weapons are easy to make, in factories that can be quickly converted from civilian use, and easy to hide. On-site inspection is useful but, especially in this area of arms control, no panacea. A verification scheme may be possible that reduces chances that cheating will go undetected and increases the political costs to the cheater. These are minimal standards, however, and a treaty meeting them might not survive the intense scrutiny it would surely get and deserve in American political debate.

It makes sense to think of limitations in the context of a larger agreement on dismantling the Kremlin's whole European invasion capability, of which chemicals are just one part. Meanwhile, Moscow is welcome to show in any way it can that it is going out of the chemical warfare business. And Washington should make sure that its own run-up to production of a new nerve gas does not put more deeply in.

— THE WASHINGTON POST.

Change the Rules for All

Ida Nudel's going-away dinner at the Vilnius Restaurant in Moscow last week must have been a joy. The "mother of the Soviet refuseniks" was bound for Israel after 16 years of trying. Josef Begun, Moscow's unofficial rabbi, was there; his permission to leave came last month. Vladimir Steplak arrived waving the permission he and his wife had just received. They applied 17 years ago.

The West can feel the joy all the way from the Vilnius, and properly lets Mikhail Gorbachev know. Still, for all the talk of reform, Mr. Gorbachev plays the emigration game the old way, handing individuals their freedom to spice improving relations with America. It is not a bad strategy when he expects soon to visit Washington, where he must face protests by American Jews. Perhaps releasing prominent refuseniks will head them off. Better freedom this way than not at all.

But better still to change the rules for all, Jews and non-Jews, and not just bend them for the few. Some welcome, if tentative, steps in that direction are emerging.

The three at the Vilnius were among a dozen prominent refuseniks given permission to emigrate this year. A high-level commission is reviewing 100 such cases, with mostly welcome results. Beyond these prominent people, about 5,000 Soviet Jews have been granted permission to emigrate since January, compared with fewer than 1,000 last year — but also compared with 50,000 in the peak year of 1979.

A good guess is that a majority of the 11,000 known refuseniks will be allowed to leave in the next month. Most of the current departures are old cases. Estimates of the number of Jews still wishing to leave run into the hundreds of thousands. Will emigration return to a trickle when the current books are

cleared? And what of those Jews who stay? Will they be allowed to profess their faith, study Hebrew, pursue their cultural traditions without fear of reprisal?

There are promising signs of change. Soviet officials begin to revise their legal code: repeal of the odious catch-all law on anti-Soviet defamation looks likely, although a harsher measure also used against dissidents will probably remain. Guidelines for emigration eligibility are being reviewed, too. Denial of emigration to citizens who supposedly possessed state secrets may be amended. A Soviet-American liaison office will be established in Moscow to consult on emigration.

As for those who stay, several synagogues have reopened; academics feel free to pursue Jewish scholarship and a few Jewish cultural centers are opening. Also, more Jews are permitted to travel abroad.

Opening emigration and lifting repression are costly in a polyglot nation of more than 100 recognized nationalities. A wave of protests swept the Baltic states this summer. Religious freedom is of more than passing interest to a fast growing Moslem population. And the last census shows ethnic Russians as a fast dwindling majority.

Mr. Gorbachev must hold together his old-fashioned empire with a Russian population that cares far less for individual liberty than for strong central authority.

Those dreary realities loom large over Western hopes for fundamental human rights change, and remind the observer to rejoice with Ida Nudel and the others at their new freedom. That does not mean forgetting that the real victory would be an end to the laws and attitudes that bedeviled them — and mostly remain to haunt others.

— THE NEW YORK TIMES.

Other Comment

Slow Recovery for UNESCO

It is a telling reflection on UNESCO's predicament that the nomination of Federico Mayor Zaragoza to be the new director-general was greeted mainly with relief because the controversial Amadou Mahtar M'Bow appears to have been thwarted in his ambitions for a third term. The weekend's antics will have done little, however, to restore UNESCO's battered credibility.

Mr. M'Bow has still not said unequivocally that he is out of the race. The continuing uncertainty, fused with bitterness, shows every sign of dominating the agency's proceedings as it hurtles toward the full general conference of its 138 members in early November. This is unlikely to help convince those wavering within UNESCO — such as Japan, Switzerland and West Germany, to name but a few — that a new era is at hand. Nor will it persuade London and Washington that the organization from which they withdrew in protest has convinced itself of the need for rapid and radical reform.

If indeed the Spanish biochemist does succeed in becoming UNESCO's next director-general, he faces a Herculean task in pulling this debilitated, confused and divided organization back onto its feet.

— The Independent (London).

Americans Aren't Japanese

In recent years, we Americans have been beaten at our own game by the Japanese so often and so decisively that we have begun to think that they are not only better and smarter than we are, but have some inscrutable and devious powers. In fact, it was our mistakes as much as Japan's right moves that led to our decline and its rise.

— Neue Zürcher Zeitung (Zurich).

In Praise of Nancy Reagan

Breast cancer has long been among the greatest anxieties of all women and of the husbands and families who love them. Nancy Reagan could have gone quietly into the hospital for her operation, slipping anonymously through a back door. But she chose to go public, and for that we owe her our gratitude. It is better to talk openly about cancer, better to take the tests, better to get the treatment. It is fear that is most fatal. Nancy has shown none. We applaud her and we pray for her speedy recovery.

— The Daily Express (London).

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OPINION



Human Rights Should Be Routine, Not Newsworthy

By Anthony Lewis

BOSTON — The Soviet government has acted in recent weeks to resolve some longstanding emigration cases. Early this month, for example, it gave an exit visa to Ida Nudel, a leading campaigner for Soviet Jews. Last month officials told Vladimir Steplak, another prominent refusenik, that he and his wife could move to Israel, 17 years after they first applied.

Such actions evidently are designed to improve the atmosphere in U.S.-Soviet relations before Mikhail Gorbachev makes his expected trip to the United States for a summit meeting. But the effect will be limited.

Every time one well-known person is allowed to leave the Soviet Union, we in the West remember others who have not been. Thus Mr. Steplak's good news was coupled with reminders that such admired figures as Alexander Lerner and Valeri Soifer are still forbidden to emigrate many years after they began seeking visas.

Soviet officials have complained to Americans about that reaction. When they take some positive step, they say, instead of being praised they are criticized for not having done something else. That provides little motivation for resolving any cases, they argue.

It is crucial to beware of that Soviet view. I think — crucial because it is so mistaken. It misunderstands fundamental Western attitudes on human rights. And the misunderstanding is as harmful to legitimate Soviet interests as it is to the victims of injustice. The Soviet view is based on the premise that the resolution of individual human rights cases is a valuable gesture — a favor — to Western opinion. Soviet leaders traditionally save those gestures to be used as bargaining chips. When a summit meeting approaches, the chips are played in order to brighten the mood for substantive negotiation.

But we in the West do not regard things such as letting citizens emigrate or practice their religion or speak their minds as governmental favors. We think of them as rights — rights that have a legal basis in Soviet undertakings at Helsinki.

Americans and others in the West do not like the idea of human lives being used as bargaining chips. So when restraints on some Soviet citizens are relaxed at a politically opportune moment, Western gratification for the individual inevitably will be mixed with resentment at the tactic.

The sense that lives are being played with is deepened by the hazard, seemingly senseless, cruelty of the Soviet bureaucracy in these

ruling party would want to loosen its grip. It is hard to understand how that can even happen under a Communist system. We know that it cannot.

But how do we know? It is not enough to say that we consult our suspicions or our hopes, as the case may be. That gives us a political judgment — conservatives have suspicions about Kremlin change, liberals have hopes — but hardly the last word. If we turn from peering into the Soviet future to peering into the Soviet past, then we arrive at an even more clouded place. For students of the Soviet past are torn.

A Cambridge University student, Aileen Kelly, writing in the Sept. 24

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A school, Ms. Kelly suggests, leans on the premise of the late British scholar Leonard Schapiro that Stalinism was the logical successor to Leninism, and that the dynamics of Soviet history since 1917 can be explained by one determining factor: the ruling party's commitment to total power. Believing the Soviet system to be unique, this school tends to ascribe its sole plausibility and all its evils to its sole plausibility and all its evils to the Russian revolutionary tradition.

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A "revisionist" school, including Stephen F. Cohen (who named the school) and Jerry Hough, takes the reforms seriously and urges the West to respond positively to this rare opening. This school finds that the party, rather than being a frozen monolith, now offers a genuine competition of factions and interest groups within the elite. The revisionists believe that the Soviet system,

like other systems, is a complex product of many historical strands.

So when Aileen Kelly, reviewing a posthumous collection of Mr. Schapiro's writings, "Russian Studies," she goes on to make a learned critique of the Schapiro contribution, and I go off on a little personal detour.

As a graduate student in Russian history in the 1950s, I read Schapiro and accepted him as a giant in the field. He and his like taught us everything we knew about the Communist Party — knew them anyway. What he taught seemed completely consistent with what was going on — the Hungarian revolution, the admissions of Stalin's terror — in the real world. His influence in the realm beyond scholarship was immense.

Now, 30 years later, comes Aileen Kelly to tell us in a respectful but unmistakable way that what we learned was not the revealed truth but merely the "dominant orthodoxy" in Soviet studies of the day.

I forgive Aileen Kelly, who is young, I am even prepared to acknowledge that she has a point. New experiences and expectations can contribute to generational variations in writing and reading history. All of us know people who have failed to appreciate intellectual capital.

In any event, the two schools in Soviet studies have been going at it hot and heavy for the last few years, and I want to believe that improved understanding will result.

It would be an awful thing, however, if one "dominant orthodoxy" were to be replaced by another. Already in historical circles, and in political and journalistic circles, there is a striking readiness to accept as facts schemes that are no more than a glint in Mikhail Gorbachev's eye. The Cork controversy has sensitized us to that kind of large, loyal constituency. The others' fans are recently recruited and in the vast majority of cases, judging from those I have met, could shift to another candidate without much regret if it turned out that the other had "the winning message" for the Democrats.

Mr. Jackson does have a real constituency, with passionate commitment. But everything we know at this point suggests that the Jackson constituency is substantially less than a majority of the Democrats' primary electorate.

The likely scenario will see the other five testing their messages in Iowa and New Hampshire this winter and discovering who has the best fit on that electorate. Those who are most likely to succeed probably will be the Democratic primary candidates.

These are not choices. You can see them moving in on the target. To assess that all six will make contact is probably probability. By the first of the year, when most members of that Democratic primary audience have heard him, he will have won.

I say that not because I know what the Albany Enigma has in mind. I definitely do not. Mr. Cuomo is too smart, too subtle, too good at word games for me to decipher; interviewing him is a game he always wins. But I think extremely unlikely that circumstances will provide the opening that the governor would need for a dramatic last-minute rescue mission. Not impossible, for nothing is impossible in the bizarre nominating system America now has, but extremely unlikely.

If you want to know what will happen then think of Gary Hart in the first three months of 1984. All through 1983, even this late in that year, he was floundering around, testing out themes after another, looking for the messages that would work. When he found it, you could

feel the spark jump from candidate to constituency, and he took off as if he were jet-propelled.

The difference between 1984 and this year is that there is no Walter Mondale in the Democratic field to bring the high-flier back to earth.

Mr. Mondale could do it barely,

because he had accumulated vast

resources of organizational and per-

sonal loyalty in the West. Except

for Mr. Jackson, no one now run-

ning in the Democratic contest has

that kind of large, loyal constitu-

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As for the Cork controversy, it is

obviously dependent on the

delay in the execution of sen-

tences as a "reproach upon the ad-

ministration of justice." As for

capital punishment, it is easy to

understand extreme caution in its

infliction, but prolonged delay after it

has been finally resolved upon can

only have one advantage, that of

strengthening the argument

*War Powers
At Liber
ees Defeat
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W. F. H. 1987 AT&T

HE U.S. ATTACK IN THE GULF: Vowing revenge, Iran says America is now involved in a "full-fledged war."

*Senate Paper
es Defeat
of Iraq as
Possibility"*

Washington Post Service

WASHINGTON — An Iraqi defeat is a realistic possibility in the coming war and would be "catastrophic" for Western interests in the Gulf, the Senate Foreign Relations Committee concluded in a report issued Sunday.

As the conflict and thus

at an Iraqi defeat, the United States should step up its efforts to

the United Nations to impose a

comprehensive arms and economic

embargo on Iran, the report recom-

mended.

"Iran is under heavy military pressure, and its ability to withstand Iran's assaults indefinitely is open question," the report said.

Mr. Hoffman said the second

platform was about 5 nautical

miles (6 miles, or 10 kilometers)

from the scene of the first one.

There was no Iranian military

reaction to the attack, he added.

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platform was about 5 nautical

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from the scene of the first one.

"After this platform was aban-

doned, U.S. Navy men went

aboard, looked around, destroyed

some radar and communications

equipment and then left."

Mr. Reagan said in his statement

that the United States "has no desire

for a military confrontation

with Iran, but the government of

Iran should be under no illusion

about our determination and our

ability to protect U.S. shipping and

interests." (Text, Page 7.)

The U.S. action, he said, "is a

prudent yet restrained response to

this unlawful use of force against

the United States and to numerous

violations of the rights of other

nonbelligerents."

Mr. Reagan said later, as he was

leaving the White House to visit his

wife, Nancy, who is recovering

from breast cancer surgery at Be-

thesda Naval Hospital in Mary-

land: "No, we're not going to have

a war with Iran. They're not that

stupid."

On Oct. 8, three Iranian boats

were knocked out in a clash with

U.S. forces.

The White House consulted with

congressional leaders before the at-

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UN Investigates Charge That Military Data Was Passed On to Tehran

By Warren Geller
International Herald Tribune

LONDON — UN officials are investigating allegations by the president of a company specializing in analysis of satellite data who says he gave valuable military intelligence to Iran this month under the impression that he was giving it to the United Nations.

Peter Fend, the founder of Ocean Earth Construction and Development Corp., acknowledged that he was "naive." But he said in interviews that he approached the United Nations in New York out of a spirit of idealism and because his company was looking for "constructive" business.

Mr. Fend said his company, which is based in New York, believed that its satellite data could be used by the United Nations in monitoring a cease-fire in the Gulf War.

Instead, he said, a senior UN official from Pakistan, Iqbal Riza, organized a meeting at UN headquarters with two officials of the Iranian Foreign Ministry. They were identified as Mojtaba Mirmechi, deputy minister for legal affairs, and Mohammed Mahallati, director general for international affairs.

Mr. Fend acknowledged that he knew he would be meeting with Iranian officials, but said he assumed the meeting would be held under the auspices of the United Nations and monitored by its officials.

Instead, Mr. Fend said the only UN representative present was a videotape technician.

A UN spokesman, Joe Sills, said the organization had begun an investigation of Mr. Fend's allegations.

"The matter regarding the relationship between the UN and Ocean Earth is being looked into by senior officials," he said.

Mr. Riza, a director of the Office of the Undersecretaries-General for Special Political Affairs, confirmed that he had put Ocean Earth in touch with the Iranians.

"I did arrange for the meeting in the UN," he said in a telephone interview. "The UN is a public place."

Mr. Riza said the link between

Ocean Earth and Iran, as far as he was concerned, was merely commercial. "It is between them and the Iranians," he said.

Mr. Sills said Ocean Earth contacted the United Nations a couple of years ago about the possibility of using satellite photography for monitoring a cease-fire.

"We looked at it, but did not feel it would be of use," he said. "This year, Ocean Earth came back to us with some updated material, and they also requested that they be placed in touch with the Iranians."

"We did so and arranged for them to show a tape on Friday, Oct. 9, at the UN using UN screening facilities," he said.

Officials from the Iranian UN mission had asked us to set up the screening," Mr. Sills said. "If any member of the UN asks us to do this, we normally would comply, it would be routine. There was never supposed to be a member of the Undersecretaries-General office in attendance. What happens between Iran and this company is totally their concern."

Mr. Fend said that the Iranian official asked Ocean Earth to deliver a 30-minute videotape of images from the Shatt-al-Arab waterway, which lies on the front with Iraq. He said the Iranians agreed they wanted the images for military purposes.

"We told the Iranians that we were not here to do business with Iran, we're here to do business with the UN," Mr. Fend said. "Nothing is going to be delivered to anyone except through the UN, and that means Iraq and all other UN members would have access to the material."

Nevertheless, Mr. Fend asserts that valuable information was passed to the Iranians, including details of recent Iraqi fortifications.

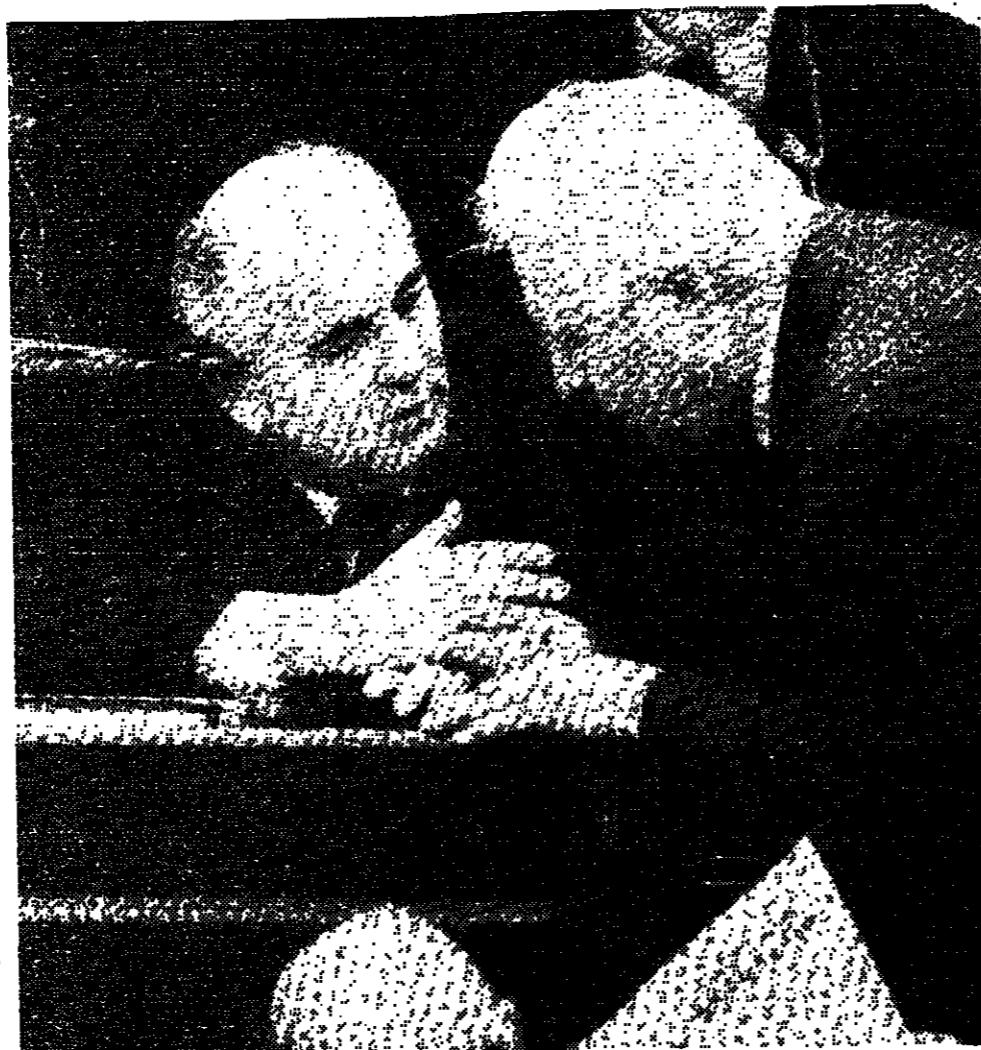
He said "it could be very useful" for missile targeting and other military purposes. The meeting "ended up being an intelligence transfer to Iran — courtesy of the UN."

Images shown during the meeting, Mr. Fend said, included video recordings of photographic displays obtained from the U.S. civilian satellite, Landsat, and from Spot Image SA, the French civilian satellite agency.

He said that the Ocean Earth analysis of the data from the Gulf War zone reveals, among other things, construction of an Iraqi canal that bypasses Fish Lake, a strategic barrier along the southern Iraq-Iran border, where most of the ground fighting is concentrated.

Ocean Earth has retrieved land images, including those of war zones and environmental hot spots, such as Chernobyl in the Soviet Union, from civilian satellites since the early 1980s. It has sold the data and analyses to news media and research institutes, including the British Broadcasting Corp. and CBS Television. Governments have not been among its customers, Mr. Fend said.

Mr. Fend also accused Mr. Riza of passing on to the Iranians an earlier videotape of satellite images from the war zone that his company had made for demonstration purposes. He is demanding that the United Nations pay \$30,000 for the tape.



Mikhail S. Gorbachev, left, spoke with Yegor K. Ligachev, widely seen as the Kremlin's No. 2 man, on Monday at the opening session of the Supreme Soviet, the nominal parliament. Nikolai V. Talyzin, chairman of the state planning committee, said at the session that the Soviet Union was behind schedule in light industry and machine building.

Soviet Economy Lags Behind Goals Two Months Before Major Reforms

By Celeste Bohlen
Washington Post Service

MOSCOW — Two months before the introduction of major economic reforms in the Soviet economy, key industrial sectors are lagging behind 1987 targets, Soviet planners said Monday.

Despite the slowdown in industrial growth, the 1988 budget presented to the Supreme Soviet called for even higher goals, which some Western analysts described as unrealistic demands that could affect the reforms in their early phase.

"It seems they have given into the temptation of setting ever higher goals," said a Western diplomat. "If they would give themselves a breather, I would be more sanguine about the success of *perestroika*."

Perestroika, or reconstruction, is the Russian word used to describe Mikhail S. Gorbachev's program of reforms.

According to the plan announced in the Kremlin on Monday, the targeted increase in industrial output for next year is 4.5 percent, compared to the still-unrealized figure of 4.4 percent for

1987. Economic statistics released over the weekend showed that industrial output grew only 3.6 percent over the first nine months of 1987, compared to 5.1 percent during the same period last year.

Some areas of the economy continued to post strong performances — in particular, energy and agriculture — but machine-building and light industry have persistently failed to meet targets.

These two areas, considered key to the economic drive launched by Mr. Gorbachev, were criticized Monday in a speech by the top Soviet planner, Nikolai V. Talyzin, to the Supreme Soviet, the nominal Soviet parliament.

"Certain difficulties have arisen this year in the machine-building industry," said Mr. Talyzin, who heads Gosplan, the state planning committee. "The economy is not receiving a considerable amount of the equipment it requires."

Mr. Gorbachev said that construction time was still twice what it should be and that many enterprises continued to solicit money from Moscow to keep afloat.

These persistent problems are

JAFFNA: Indians in Stronghold

(Continued from Page 1)

environment when it was trying to subdue the militants earlier this year.

Relations between local Tamil people and the Indian army appear to be rapidly worsening throughout Northern and Eastern Provinces of Sri Lanka, where the soldiers are deployed. India says it has 14,000 troops in Sri Lanka, but unofficial estimates in Colombo and in New Delhi put the figure at 20,000 to 25,000.

The Tamils are far outnumbered on the island as a whole by ethnic Sinhalese, who also dominate the government and the armed forces, but they are most numerous in the Northern and Eastern Provinces. The Tamils are mostly Hindus and the Sinhalese are primarily Buddhist, but there are Christians in both groups.

The Indians, once public advocates of the Tamil cause and critics of the Sri Lankan government, were at first welcomed as peacekeepers who would underwrite a July 29 accord designed to end a four-year-old guerrilla war and bring Tamil militants into the political process in newly created autonomous areas in the north and east.

Now, Tamil neighborhoods are daily reporting acts of violence against civilians by Indian troops searching for guerrillas or their sympathizers.

Troops from the Indian Army and commandos of the Central Para-Reserve Force have refused to estimate civilian casualties in Jaffna, the base of the Tigers.

But residents fleeing the city all speak of the killing of men, women and children as the Indians advanced on the town with armored personnel carriers and tanks, razing buildings along the route.

Jaffna's telephones are cut off, and there is no electricity and little food. Many residents have fled to temples or schools, or are trying to escape the peninsula altogether.

There were persistent rumors on Monday that the leader of the Liberation Tigers, Velupillai Prabhakaran, was hiding among 25,000 to 40,000 Jaffna residents who are said to be crowded into the historic Nallur temple.

Tamils in Colombo, who besiege new arrivals from the north, have heard that Mr. Prabhakaran, still a hero to many, has sent a message to the Indians warning that if they come for him, thousands of Tamil civilians around him would die.

There were also reports Monday that the Tigers had made another appeal for a cease-fire, but that the Indians had not found their terms acceptable.

In the Eastern Province, independent information is easier to obtain because telephone links are still good, and there are active citizens committees looking after local interests.

In Batticaloa, reports are emerging daily about Indian revenge attacks on the Tamil village of Salangoda, after an Indian Army convoy hit a land mine, killing 20 to 25 troops.

Separately, Prime Minister Rajiv Gandhi said Monday that India would not withdraw soldiers from Sri Lanka as long as its government permitted the troops to remain.

The official said the collision took place at about 7:30 A.M. in the district of Bintaro Jaya, about nine miles (15 kilometers) south of the capital.

One train was carrying 600 passengers and the other 300, officials said.

Rescue workers were using saws and hammers to search through the tangled wreckage for the dead and injured. Scores of ambulances and three helicopters carried victims to hospitals.

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U.K. Jet Aborts Take-Off

Reuters

LONDON — A British Airways

Boeing 737 bound for Stuttgart was

forced to abort its take-off from

Heathrow Airport on Sunday when

a light plane crossed its path on the

runway.

Sweden's Justice Minister Resigns Over Escape of Spy Left Unguarded

The Associated Press

STOCKHOLM — The Swedish justice minister resigned on Monday, accepting some of the responsibility for the escape of a convicted spy who was left unguarded during a conjugal leave.

The justice minister, Sten Wickbom, a former judge who held the cabinet post since 1983, said he was stepping down because he had not apprised himself of vital information that might have warned him that the spy, Stig Bergling, could escape.

Mr. Wickbom said his department had known in September that Mr. Bergling would be given a conjugal leave with minimum security. He said he blamed himself for not finding out about the prison authorities' plans, although he refused to say whether he would have intervened.

Prime Minister Ingvar Carlsson, who announced the resignation, said the controversy over the escape was limiting the minister's ability to perform his job.

Mr. Carlson later announced that the new justice minister would be Anna Greta Leijon, now the labor minister. He said Ingela Thalen would replace Miss Leijon.

The Wickbom resignation appeared intended to defuse criticism of the government's conduct in security affairs, including its investigation into the assassination of Prime Minister Olof Palme in 1986.

Parliament scheduled a special session for Tuesday. The opposi-



Sten Wickbom

tion leader, Carl Bildt of the Moderate Party, said he would call for a government shake-up and changes in the justice department.

Mr. Wickbom, 56, was the second justice minister to resign since the Social Democrats returned to the government in 1982. His predecessor, Ove Rainier, quit after being accused of taking advantage of tax loopholes.

Mr. Bergling, 50, was serving a life sentence for selling security secrets to the Soviet Union in the 1970s. His spying was so extensive that Sweden was forced to revamp,

much of its defense system after he was caught.

On the night he escaped, Oct. 3, Mr. Bergling was allowed to spend the night with his wife while his guard slept at a nearby hotel. The practice is common except for dangerous criminals, who are granted prison leave but under tighter security.

Mr. Wickbom said his department's information about Mr. Bergling was of the character that they led one to doubt that the surveillance on Bergling would be sufficient.

"This I understood only last Friday," he said.

"I interpret my responsibility as chief of the ministry to mean that I cannot be ignorant of information of such a serious character," Mr. Wickbom said.

In March, Mr. Bergling was allowed his first prison leave since his conviction eight years ago. He was granted further vacations in May, June and July. Mr. Wickbom said By July, the guard against Mr. Bergling was reduced to virtually nothing.

Mr. Wickbom said he had taken some corrective measures to tighten government supervision. But Mr. Carlson said the scandal was limiting Mr. Wickbom's ability to take further action "and to restore the public's trust in the authorities."

"It is extraordinarily difficult to be minister of justice in a country where the premier is killed," Mr. Carlson said.

Kirkpatrick Sets Time to Reveal Plans

By Clyde H. Farnsworth
New York Times Service

WASHINGTON — They dropped agents and propaganda in Communist China in night missions from Taiwan, ferried food and supplies through Vietnam anti-aircraft fire to the French at Dien Bien Phu in 1954, delivered weapons to anti-Communist Burma and Laos.

Ostensibly, their employers were private commercial companies with names like Civil Air Transport Co., Air America, Asia Co., Intermountain Aviation, Southern Air Transport. Actually, they were wholly owned subsidiaries of the Central Intelligence Agency.

At their peak in the mid-1960s, the CIA companies together made up an air fleet almost the size of Trans World Airlines, operating about 200 airplanes and employing as many as 20,000 people. Now some of those employees are seeking a token of government recognition. They have applied for credit toward government pensions for their years as the covert troops of the Cold War.

The audience of about 700 Republicans from 13 Western states stood and applauded as Mrs. Kirkpatrick came to the podium, but it was not clear whether they were reacting to Mr. Kirkpatrick's suggestions or were reflecting admiration for the speaker. All of the dozen or so political activists queried earlier about the possibility of a Kirkpatrick presidential candidacy spoke highly of her, but added that she had already committed themselves to other candidates.

The Democrats are in a bind," Mrs. Kirkpatrick said. "They can't win unless things get worse, and things won't get worse unless they win."

She said found it "very disturbing" that Democrats in Congress "are more willing to trust the Soviet Union" on matters of national security than to trust President Ronald Reagan.

"Their tendency to blame America first is as strong as it has ever been," she said.

As for Nicaragua, she said, "Ronald Reagan asks only that the government there keep promises it made in 1979 before it came to power." She said the unkept promises were to hold free elections and free rights of assembly, and other individual liberties.

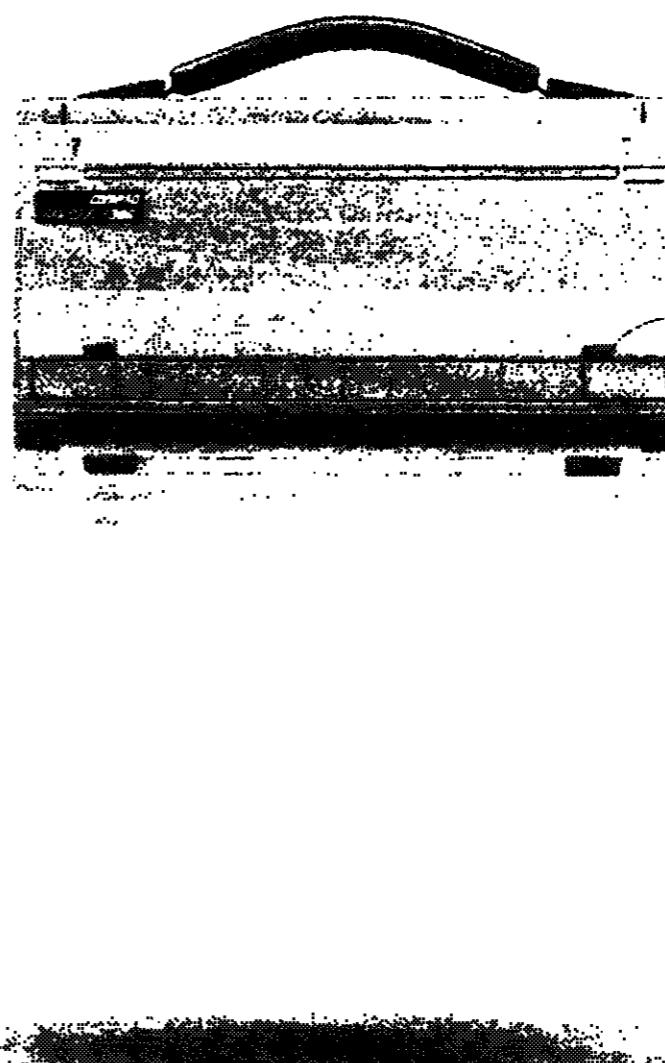
Passengers who saw the trains headed for the collision jumped from the roofs and sides of the trains moments before the crash, witnesses said.

"There was no time to warn the others," a passenger said. "We just jumped for our lives."

Officials were unable to explain how the two trains ended up in a collision course on the same track. More than 300 soldiers and policemen were sent to the site, where rescue efforts continued into the night.

Officials said at least 102 people died in the collision and that about 300 injured were sent to seven hospitals in Jakarta.

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ARTS / LEISURE

Lagerfeld Puts Chanel in a PlaypenBy Bernadine Morris
New York Times Service

PARIS — If Karl Lagerfeld persists in rejuvenating the House of Chanel at his current rate, the clothes will soon be perfectly suited to the playpen set. Right now, they are fine for young teen-agers, the group that is called "juniors" by United States retailers. The T-shirts read Chanel instead of Prince or Madonna, but the skirts are short enough, the child-size chain-

PARIS FASHION

handle bags small enough and the sneakers, mary janes, anklets and knee socks familiar enough to appeal to the young set.

The classic Chanel jacket has been almost completely transformed into a short fitted or swingy style in baby-colored plaids, such as pink, yellow or blue with cream. Equipped with tightly wrapped or flounced short skirts, the Chanel suit now looks as if it were born yesterday instead of 50 years ago. Gone are the braid edges, along with the just-below-the-knee hemlines. The springy new version may pose some problems for women who have found classic Chanel a security-blanket fashion, proper for all occasions.

For them, Lagerfeld does indeed produce some longer jackets. There's one in beige linen for example, with a shapely facade decorated with a double row of gold buttons, another Chanel trademark. It was however, shown with matching trousers, not exactly the all-purpose fashion choice. Other long jackets almost totally concealed the skirts that accompanied them.

In addition to skirts, there were also knee pants or shorts, addition-



The long, the short and the tall, at Kenzo (left) and Chanel (center and right).

al reinforcements for the swinging Chanel image.

Some of the more interesting additions to the Chanel repertory involved black lace. A short black lace skirt, for instance, accompanied a black leather jacket. Lace pants were worn with black T-shirts. A white satin sleeveless tunic was finished off with a black lace miniskirt. Inès de la Fressange, the model who represents the Chanel image, wore it with long black leather gloves.

Big bouffant skirts, draped like Viennese lampshades, bouncy taffeta baby dresses and bold flower prints were among the myriad fashion ideas that are destined to change the stately Chanel image once and for all.

Hubert de Givenchy did not set

out to change the world of fashion.

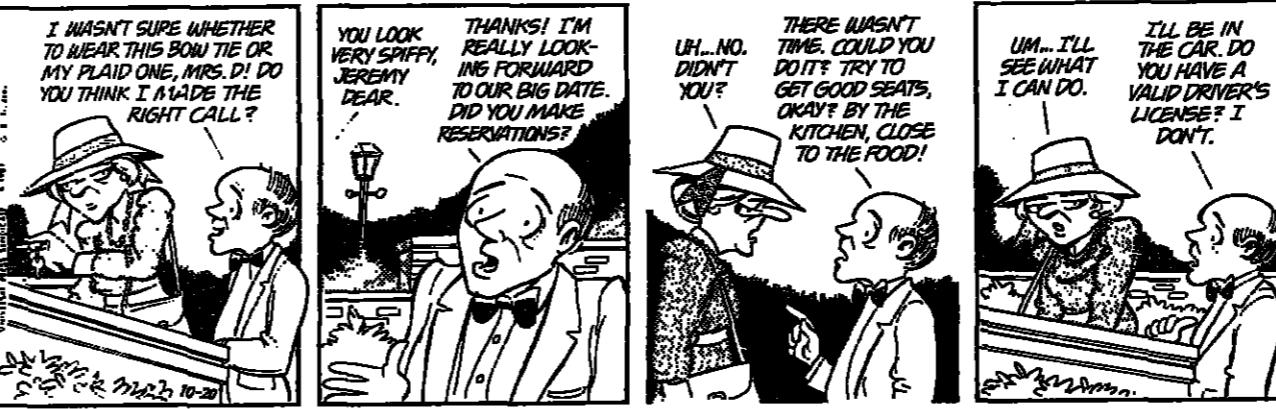
His clothes exemplify a lot of old fashioned virtues. They're wearable and attractively proportioned and the colors are pleasing. A perfect linen suit has a green jacket with blue lapels repeating the blue of the skirt. Its shoulders are squared off,

its waist indented and its hem a decent level above the knees. It

would exemplify good taste anywhere in the world. There are many other styles a woman could choose with serenity, including tapered chemise dresses and puffed-sleeve shirtwaist styles for day as well as leather jackets and skirts in glowing colors. For lighter moments, Givenchy shows ruffled cotton play skirts, bare midriffs and dresses with many tiers of ruffles, lifted in front to show the legs. Givenchy's clothes are always comfotting.

Hanae Mori's clothes are for the sophisticate. Sequined shifts, tailored leather suits and black or white crepe dresses with nude inserts are some of the things she does best. Her signature butterfly prints are everywhere.

Neither designer is a pace-setter, but both show attractive clothes.

DOONESBURY*The Magic Flute: Théâtre des Champs-Élysées, Oct. 21, 23, 25, 27, 29. Teatro alla Scala, Oct. 27, 29.***Playful 'Magic Flute' Reopens Historic Theater**By David Stevens
International Herald Tribune

PARIS — The new production of "The Magic Flute" besides being a continuation of the Mozart opera cycle of Daniel Barenboim and the Orchestre de Paris with Jean-Pierre Ponnelle as director-designer, celebrates the real reopening of the Théâtre des Champs-Élysées as a theater (as opposed to a concert hall) after the extensive decorative and technical renovation of a building that is one of Paris's historic and architectural monuments.

The rehabilitation of the public areas of the building is a pure delight. The theater, the product of the enterprise of the impresario Gabriel Astruc and the financier Gabriel Thomas, and the architects Henry van de Velde and Auguste Perret (one of the pioneers of reinforced concrete), is a monument of Art Deco a decade or so before the fact, and the first 20th-century building in Paris to be classified a historic monument. The relief sculptures and frescoes of Antoine Bourdelle, the ceiling of Maurice Denis, the Lalique lamps have been lovingly restored, as have the armchairs that make the orchestra level one of the most comfortable theater auditoriums anywhere.

It is also historic if only because it was the site of the uproarious first performance of the Stravinsky/Nijinsky "Sacré du Printemps" on May 29, 1913, less than two months after its inauguration on March 31 with a performance of Berlioz's "Benvenuto Cellini" under Félix Weingartner (a concert performance the same week reopened the theater on Sept. 23). It has never ceased to be one of the

city's major concert, opera and ballet houses.

The radical modernization and computerization of the stage machinery should eventually make the theater a contemporary dream to work in, when it starts working, which is not yet. So this "Magic Flute" owed more to Ponnelle's ingenuity and ability to switch concept in midstream than to the exploiting of new technical marvels.

In any case, this was a playful "Magic Flute" that looked back more to its origins in Viennese popular theater, looking for character ambiguities. Tamino has a moment of faltering, when the rigors of mortal testing exasperate him almost to adopting Papageno's lifestyle, and Tamino and Papageno have distinctly different personalities, one decidedly more easygoing.

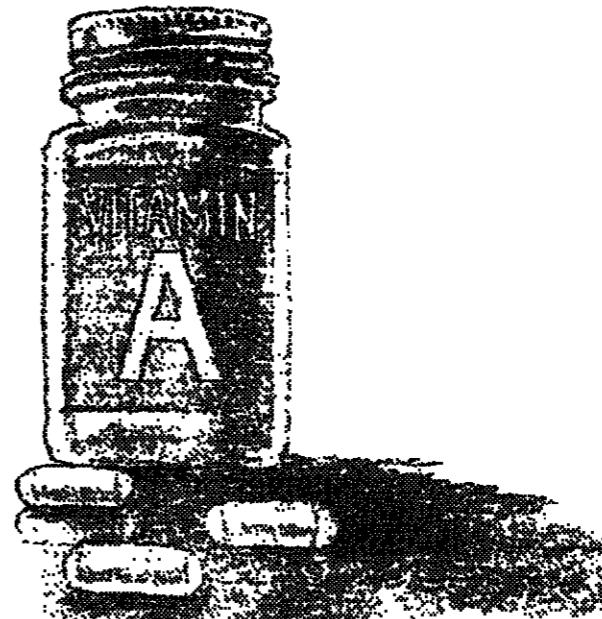
Barenboim, from his podium in a central aisle dividing the orchestra in two, was sometimes drawn into the action, but mainly he led an grandly expansive account of the score — except at moments when the expansiveness threatened to become motionless. Those moments and the inclusion of substantially complete spoken dialogue, made for a long evening.

The generally fine cast was headed by David Rendall as a splendid Tamino, heroic without sacrificing the role's lyricism and Joan Rodgers's radiant soprano made her a Pamina to match. Christian Boesch's Papageno was expert and authentically Viennese, although long experience in the part has provided a slight surplus of gags. Philip Lang's solid bass had Sarastro's notes if not the lordly weight of the role, and Eva Lind did the Queen of the Night's coloratura exercises neatly. In the orchestra, Michel Débost played magically indeed for the sound of Tamino's flute.

At the Opéra-Comique, Jean-Louis Martinoty has added "Il Turco" and "Suor Angelica" to his existing production of "Gianni Schicchi" to give the company a complete Puccini triptych, and to give Leona Mitchell a trio of varied roles in which to deploy her vibrant soprano.

She and Jean-Philippe Lafont made a powerful Giorgetta and Michele and Hans Schavernoch evocatively converted the barge deck for the opening Grand Guignol one-acter. She did everything that pure vocalism and straightforward acting can do to overcome the mawkish sentimentalism of "Suor Angelica," and finally made the radiant best of her one moment, "O mio babbino caro," in a performance that otherwise belonged to Gabriel Bacquier's Schicchi. Marcello Panni conducted well-paced readings.

The Magic Flute: Théâtre des Champs-Élysées, Oct. 21, 23, 25, 27, 29. Teatro alla Scala, Oct. 27, 29.

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Telecommunications

IN THIS REPORT

EC Standardization II

The telecommunications revolution is high-gaining the various European countries' industrial and political differences as no other technological phenomenon yet has.

France Restructures IV

The dismantling of EC trade barriers in 1992 has sent French industries scrambling to strengthen operations for a new European market.

Spanish Trends V

Telefónica has been a consistent market maker for five years as the flagship of Spain's business renaissance.

British Outcry V

Complaints about British Telecom following privatization appear to have made it a good buy rather than a good service.

China Revolution VI

Foreign suppliers scramble to gain entry to the world's largest undeveloped market as China enters the information age.

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Prime Minister Bob Hawke spearheads a move to privatize the communications industry in a bid to restructure the economy.

Asian Hub VII

Singapore's small size and compact population have made it quicker, easier and cheaper to build an advanced network than in bigger neighboring countries.

Third World VIII

The divide between telecommunications haves and have-nots appears to be lessening.

Third World Slowly Forging 'Missing Link'

By Sir Donald Maitland

LONDON — The least remarkable conclusion reached by the Independent Commission for Worldwide Telecommunications Development was that there was no single remedy for the uneven distribution of telecommunications across the world. A range of actions at different levels would be needed. The objective set by the commission of bringing the whole of mankind within easy reach of a telephone by the early part of the 21st century would be achieved only if all those who carried responsibility in this field were to join in a sustained effort.

For this reason, in its report, "The Missing Link," the commission addressed its 29 recommendations variously to governments of industrialized and developing coun-

Commentary

The author was chairman of the Independent Commission for Worldwide Telecommunications Development from 1983 to 1985. Since 1986, he has been deputy chairman of the Independent Broadcasting Authority in Britain.

tries, to international agencies, telecommunications operators, equipment manufacturers and finance houses.

These recommendations had four broad aims: to ensure that investment in telecommunications was given higher priority, to improve existing networks in developing countries, to take account of foreign exchange problems, and to make the role of the International Telecommunication Union more effective.

The commission believed that the key to progress lay in persuading developing countries about the essential contribution telecommunications make to economic and social progress, to national cohesion and the quality of life, and of the hazards of neglecting this sector when drawing up their development plans.

Once this message was understood, higher priority would be given to investment in telecommunications; this, in turn, would open the way for the other actions recommended by the commission. The secretary-general of the ITU shared our view. When I presented the commission's report in January 1985 he had already decided that this message had to be brought home to those concerned at the highest political level. What

Continued on page VII



Jean-Pierre Courtois

Finishing Tower of Babel

Prosperity Lies In Establishing Global Network

By Amiel Kornel

PARIS — Ever since Babel, men have equated communications with power. Founded by a sudden multiplicity of languages, goes the biblical tale, ancient builders deprived of their ability to share information were unable to complete their celestial tower.

Motivated by more terrestrial concerns, modern nations and businesses, seeking to fortify the foundations of their future growth, today recognize more than ever the critical role played by communications in the quest for economic and financial prosperity.

As business users clamor for more advanced communications equipment and services, information-technology companies are being forced to leap over national and technological frontiers.

"Clearly, there are market forces pushing these companies to look into new areas," said Kim Mylne, chief communications consultant at market researchers International Data Corp., based in Framingham, Massachusetts.

The capacity of a country to visualize what an advanced telecommunications network can offer has become one of the keys to growth.

"There must be an economic consensus on telecommunications as a superior tool for business and society," said Jean-Pierre Coffinet, director of technology programs at management consultants Booz-Allen & Hamilton Inc. in Paris.

As that consensus grows, governments become eager to modernize telecommunications infrastructure and open competition in hitherto closed

markets, lest they be accused of blocking economic opportunity.

"There is a tremendous demand for services that are available globally," noted Midhat Gazale, president of AT&T France. "Countries that won't be able to cope with that reality might be bypassed."

Industrialized countries began investing heavily in expanding public networks in the mid-1970s after walking up to the link between telecommunications and economic prosperity. Voice telephone installations in many countries now have reached near-saturation levels, according to the Paris-based Organization for Economic Cooperation and Development.

By 1990, the 24 OECD member nations had installed 318 million telephone main lines, or 78 percent of the world total. That same year, those countries' investments in telecommunications networks totaled \$49 billion.

Developing countries are also hurrying to lay the electronic pipeline that will fuel their economic growth. Eager to catch up with the rest of the world, their public telecommunications networks are showing the fastest growth (up to 13 percent annually in some Asian countries), turning them into the main battleground of the largest equipment suppliers.

By 1990, annual worldwide expenditures for public networks will total \$125 billion, according to Arthur D. Little, consultants based in Cambridge, Massachusetts.

With their objectives of expansion largely attained, many governments have begun upgrading networks to handle the digital information genera-

Continued on page II

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Standardization

Telecommunications Revolution Highlights European Differences

Europe's heterogeneity means that the strains imposed by the telecommunication upheaval are arguably more profound than in, say, the United States or Japan.

By Giles Merritt

BRUSSELS — The romantic overnight train journey from Paris to Madrid offers a vivid example of what happens when Europe gets things wrong. Instead of sleeping peacefully through the night, the unfortunate traveler is roused at 2 in the morning by a cacophony of loud noises.

At the border town of Irún, the Wagon-Lits and couchette carriages are lifted bodily and swing onto different bogies, for Spain's wide gauge railway system cannot accept trains from elsewhere in Europe. It is one of the reasons that Spain until recently had long stagnated as an industrial power.

It is also a lesson for Europe now that Europeans are wrestling with the difficulties created by the telecommunications revolution. Telecommunications will be at least as important to the 21st century as railways were to the 19th, and the problems of standardization are perhaps a hundred times greater.

The telecommunications revolution is currently highlighting the various European countries' industrial and political differences as no other technological phenomenon yet has. Europe's heterogeneity means that the strains imposed by the telecommunication upheaval are arguably more profound than in, say, the United States or Japan.

At stake for many European nations is the survival of the huge telecommunications companies that are their high-tech national champions. At the same time, Europe's industries are all crying out for the most efficient telecommunications services and infrastructures as a vital part of their own strategies for regaining international competitiveness.

The heart of the telecommunication revolution is, of course, the advent of computerized digital telephone exchanges. The world's top 12 telecommunications giants have between them spent more than \$10 billion on developing their own versions of the new microchip-powered switchgear that will be the basis of the coming transformation of telecommunications.

Within a few years, the long-heralded "electronic village" will become a reality, thanks to optical fiber cables and digital switchgear that will be able to handle a sophisticated mixture of different services. These will range from the familiar voice telephone to high-speed "interactive" services in which the customer can put questions to the computer and even to the television set.

The market for digital switchgear and for the next generation of goods and services that will be carried by the new Integrated Services Digital Networks (ISDNs) is huge. EC officials in Brussels reckon that by the turn of the century 7 percent of European Community countries' gross domestic product will result from telecommunications, instead of the present level of 2 percent. They also forecast that over 60 percent of all jobs in the EC may then depend on telecommunications.

In money terms, it is hard to put a meaningful figure on a market that is snowballing so rapidly. Today's world market for both equipment and services in those Siamese twins of telecommunications and information technology is put at over \$500 billion. At the same time, analysts estimate that the worldwide telecommunication equipment market will by 1989 have reached \$85 billion, or almost double its size five years before.

What these multimillion-dollar forecasts tend to disguise, however, is the grim arithmetic of staying in business during such a period of turmoil. The market for digital switchgear and associated equipment is neither large enough nor growing fast enough to allow all the major telecommunication giants to recoup their development costs, let alone flourish. The telecommunications revolution gathers momentum.

The greatest threat to companies' survival, needless to say, are in Europe, where the sizes of national markets are insufficient to guarantee a company an adequate return on research and development investment costs. To cover the \$1 billion or so invested in the development of its switchgear, a manufacturer needs sales of at least \$14 billion over the 10 years after it has launched its product.

Not one of the national markets in Europe is worth that much. The West German market amounts to \$11.7 billion for the decade up to the mid-1990s. France is worth \$10.9 billion and Britain \$7.2 billion. With the yearly cost of keeping just the computer software on a digital switch system now being put at \$100 million, telecommunications manufacturers are under no illusions about the pressures on them.

Giant European companies, like West Germany's Siemens, have said that major export contracts will be needed to help pay off the development costs of their switchgear. Some experts have estimated a switch manufacturer needs 10 percent of the world market to cover costs, while Siemens has said it requires 15 percent of worldwide sales for its EWSD system.

Forging International Alliances

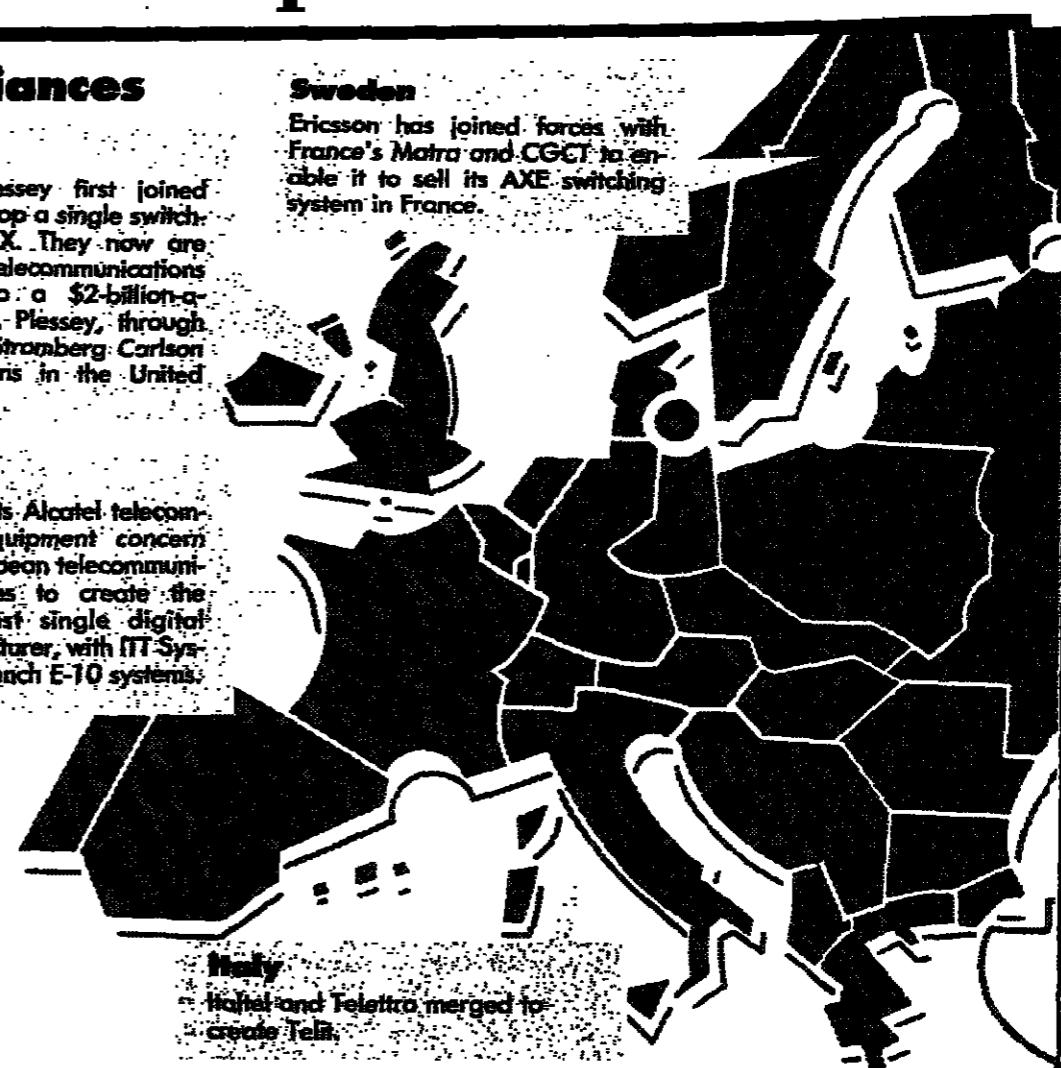
In Europe, national markets are too small to provide sufficient return on investment in digital switch systems. Major companies are joining forces, mostly across frontiers, to improve their positions.

Britain

GEC and Plessey first joined forces to develop a single switchgear, System X. They now are merging their telecommunications businesses into a \$2-billion-a-year company. Plessey, through its subsidiary Stromberg-Carlson, is making gains in the United States.

Sweden

Ericsson has joined forces with France's Matra and CGCT to enable it to sell its AXE switching system in France.



Transatlantic

AT&T has joined with Philips of the Netherlands in a venture called APT, worth \$31.6 million, as well as with Telefonica of Spain and Olivetti of Italy. GTE, the third-ranking U.S. switchmaker, is allied with Siemens in a venture worth \$420 million. Northern Telecom Ltd. of Canada, earlier this month bought a 27.8 percent share in Britain's STC for \$730 million.

The effect of these pressures has been to push the telecommunications giants into a series of hurried alliances. The latest of these has been inside Britain, where GEC and Plessey, the two companies that jointly developed a single switchgear called System X, are to go a step further and merge their telecommunications businesses into a \$2-billion-a-year company.

Yet that may not be enough to ensure that System X survives. Many other European telecommunications companies have opted for cross-border marriages. At the start of this year, France's privatized CGE (Compagnie Générale d'Électricité) merged its Alcatel telecommunications equipment concern with the European telecommunication activities of ITT. That created the world's biggest single digital switch manufacturer, although with both the ITT System 12 and French E-10 systems.

Other trans-frontier links have included the Italtel and Telettra merger in Italy, to create Telia, and a three-way alliance between Sweden's Ericsson and Matra and CGCT under no illusions about the pressures on them.

The market logic of the situation should thus be impelling the European producers to use the mechanisms of the EC to create a single European market for telecommunications equipment. Instead, the truth is that they have paid much lip service to the ideal of European integration, but have not been prepared to see

their captive national markets opened up to competition from elsewhere in the EC, let alone from the United States or Japan.

Between 70 percent and 90 percent of all telecommunications equipment sales in Europe are controlled by national governments' public procurement contracts, and these are jealously closed to foreign suppliers.

The European Commission published in mid-year a long-awaited green paper on the development in the EC of a genuinely common market in telecommunications goods and services and put forward in the discussion paper its own framework proposals for ways in which EC countries should liberalize their telecommunications markets and allow freer competition.

The Brussels authorities' concern is to breathe fresh life into telecommunications as well as into other high-tech areas like computers and semiconductors. Curtailing the monopoly powers that have gripped much of Europe's telecommunications since birth will, it is hoped, give a new dynamic to the sector.

Specifically, the EC Commission is proposing that, while voice communication, the telephone, may best be controlled by national governments, what nevertheless remains to be seen is how much of its liberalization proposal will eventually be adopted by the member states.

Europe's track record for joint action and cooperation in areas where "vital national interests" can be invoked is notoriously poor. The alternative, however, is the even more unattractive prospect that Europe would trail behind the rest of the industrialized world while the telecommunications revolution accelerates.

GILES MERRITT is a journalist based in Brussels.

Prosperity Lies in Modernization

Continued from page I

ed by computers. About 10 million digital local lines, worth \$3.9 billion, were placed in service in the United States in 1986, according to market analyst Northern Business Information Inc. of New York. This figure compares to four million lines in 1984 and eight million in 1985.

Once in place, an advanced network stimulates demand by business users and, by consequence, the growth of markets for private communications equipment and services.

According to analysts Dataquest Ltd., the European market for private communications equipment in 1986 totaled \$7.9 billion and is expected to rise to \$11.2 billion by 1991. The U.S. market, evaluated at \$13.7 billion last year, should total \$20.3 billion at the end of the five-year period, predicted the London-based firm.

Companies once content to limit their information processing to computers located on their premises are now linking up their systems with far-flung affiliates and other business partners. In some large companies, communications needs are estimated to be growing by up to 40 percent a year, according to a user survey conducted last year by the Roundtable of European Industrialists.

Financial institutions, multinational corporations and airlines are among the most demanding users.

Last July, for example, a group of four European airlines (Air France, Iberia, Lufthansa and Scandinavian Airlines) accounting for 60 percent of the scheduled European air market, announced plans to spend \$300 million on the creation of a travel information and reservation network. Dubbed Amadeus, the system is to be fully operational within two years.

With effective telecommunications now recognized as critical to a company's success, business users have become a driving force in the industry. User organizations are pressuring for political and industrial policies that protect their growing investments while enhancing their communications capability.

Foremost among their concerns are the definition and implementation of industrywide standards and the liberalization of markets. The business imperatives of the international marketplace mean technological and political frontiers must be broken down, they say.

"Standards and standards-making are paramount," said George McKendrick, executive director of the International Telecommunications Users Group (INTUG).

INTUG and other organizations have been promoting efforts by the International Standards Organization and the Consultative Committee on International Telephony and Telegraphy, both in Geneva, to define industrywide communications protocols that would assure the inter-operability of equipment from different manufacturers. This is particularly crucial as Integrated Services Digital Networks (ISDN) that offer the possibility of transporting vastly greater volumes of digital information begin to appear.

Users and information-technology companies, as well as the Commission of the European Community in Brussels, also have been pressing governments to ease their hold on equipment and services markets.

"The globalization of the business is driving the globalization of deregulation," said AT&T's Mr. Gazale.

And with deregulation advancing, European and North American companies are crossing the Atlantic in search of new business opportunities.

"The best way to proceed internationally is by forming alliances and partnerships," said Charlie Coe, president of BellSouth International, the company's international marketing arm.

AT&T and Canada's Northern Telecom Ltd., the two leading equipment suppliers in the United States, have formed alliances with major European communications firms in their efforts to penetrate the still closely protected European market.

AT&T has hooked up with N.V. Philips of the Netherlands, Telefonica of Spain and Olivetti.

Northern Telecom earlier this month bought a 27.8 percent share in Britain's STC PLC for \$730 million. "Northern Telecom is trying to use its strength in North America to move more forcefully into international markets," explained a company spokesman, Russell Flannery, in London.

After divestiture, European firms began hungrily eyeing the U.S. market. West Germany's Siemens AG, Sweden's Ericsson and Britain's Plessey (through its U.S. subsidiary Stromberg-Carlson) are chalking up sizable contracts for public network installations. Ericsson has predicted annual orders for 100,000 lines for the next five years.

But the going is sure to get rougher as operating companies complete installing digital networks and the demand for public communications gear levels off.

And adapting to a global market can be a painful and difficult experience for a company. "How can some of these previously protected companies succeed when they are confronted with companies that have experience competing in international markets?" asked Jean-Marc Harion, consultant at International Data Corp.'s Paris office.

While geographical barriers fall, distinctions between information-technology sectors are starting to blur. Companies can no longer confine themselves to selling only computers, networks, terminals or services.

"In the long- and medium-term, computers and telecommunications will be indistinguishable," predicted Mr. Gazale, "both in terms of technology and application." AT&T entered the computer business after 1984, most notably through a cross-marketing agreement with Olivetti.

IBM Corp., the world's leading computer maker, has made several moves in recent months to carve out a strong position in this area, including the buyout of equipment supplier Rola in the United States.

"Networks are where we're seeing the priority of our customers," said Mr. Schmidt of IBM. We believe, and see evidence of the fact, that telecommunications is becoming the infrastructure of information processing.

If mergers, acquisitions and alliances have become the leitmotif of the telecommunications industry, it is not only because of the geographic, technological and commercial synergies involved. The gargantuan level of financing required to compete in the new international telecommunications game has made such tie-ups ineluctable.

"The barrier is the financial power of carriers to replace existing networks and of equipment manufacturers to develop new products through R&D," Mr. Coffinet said. "Those who can't afford those developments will be killed."

AMIEL KORNEL is the European editor of IDG Communications Inc. of Framingham, Massachusetts.

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International Mandate

Restructured French Industry Moves Into a More Competitive Position

By Karen Lynch

PARIS — French government and industry leaders orchestrating the virtual overhaul of the French telecommunications industry have taken each step with their sights trained on the international market.

Only the world market can fuel such giants as the Alcatel N.V. telecommunications equipment manufacturer and the Direction Générale des Télécommunications (DGT), France's government-run telephone company.

And the much-heralded dismantling of European trade barriers in 1992 has sent French industrials scrambling to strengthen operations for a new European market.

The international mandate is palpable.

At the French-controlled Alcatel, for example, the official language is now English.

When Marcel Roulet took over as the DGT's director general earlier this year, he made business calls to London and the United States before ever meeting with key French customers.

And at France Cables et Radio, a DGT subsidiary, a dynamic team of engineering consultants makes regular raids on Britain for coveted private network contracts.

Taken alone, last January's merger of Alcatel with ITT Corp.'s telecommunications subsidiaries put the French among the world's top telecommunications equipment suppliers.

But the restructuring of the French telecommunications industry has not stopped there.

In the services sector, the DGT is being streamlined, with 2,000 out of 165,000 jobs eliminated last year alone. The French minister of posts and telecommunications, Gérard Longuet, has floated a law that would overhaul the DGT's structure. And already within the telephone company, reorganizations are taking place to enable the company to better address large business customers.

The dismantling of European trade barriers in 1992 has sent French industrials scrambling to strengthen operations for a new European market.

The DGT's telephone rates are being rebalanced, its rules of operations changed and it required contributions to the state Treasury challenged — all in preparation for the opening of competition in advanced telecommunications services.

"France is in a good competitive position," Mr. Longuet said last month.

The country's modern telephone network, which has a high percentage of lines that are digitalized to carry computerized information, is often cited by Mr. Longuet and other French officials as a key to this position. France is also a world leader in providing the so-called packet switching services among computers over its public Transpac network. Its Minitel has been a solid success while similar videotext networks in other countries have failed.

The DGT also announced last month that it had become the first to commercialize the Integrated Services Digital Network concept of future telecommunications. ISDN provides telephone calls, computerized information, documents, television and other services all over a single line leading to a multifunctional terminal.

By getting these services up and running before some of its foreign competitors, the DGT is not just preparing for eventual competition at home. It is increasingly looking to leverage its network-development experience

to market products and services on the world market.

The DGT has set up six offices abroad, plans to enter joint ventures in foreign countries to offer sophisticated telecommunications services, has gotten a contract to set up a Minitel network in the United States, has launched its satellite whose signals cover Europe and part of North America and has participated in consortiums laying high-speed fiber optic cables around the world.

In the market for telecommunications equipment, Alcatel is the second largest supplier in the world, with business activities in 110 countries.

Under the decentralized management philosophy of Alcatel's chairman, Pierre Suard, the incorporation of ITT's subsidiaries into Alcatel has run a surprisingly smooth course this year.

Beyond that, the French this year gained access to new technology for switching equipment and the next generation of cellular radio systems in its maneuvering of the sale of Compagnie Générale des Constructions Téléphoniques.

The sale of CGCT to a joint venture of the French telecommunications and electronics concern Matra S.A. and Sweden's Telefonaktiebolaget Ericsson was clinched by a cellular technology transfer offer from the Swedes.

Now, Matra stands in good stead to address a cellular market that is expected to serve about three million customers in Europe by 1995.

Matra is considering further affiliations with German equipment manufacturers, as is the Jeumont-Schneider S.A. electrical and telecommunications equipment manufacturer.

And France's computer services and software houses have been merging and expanding internationally at a time when more advanced telecommunications services and private telecommunications networks are becoming more and more dependent on software.

The French government has had a hand in nearly all of this restructuring. "Capitalism à la française is bastard and incestuous at the same time," said Jacques Duron, author of "Le Grand Désarrangement," an analysis of French telecommunications. "The nation's telecommunications industry was born of public initiatives. And at each stage of its development, the industry relies on the state."

It is this kind of intervention that has led critics to accuse the French of keeping their market closed while preparing for international contest.

For example, Mr. Longuet announced the opening of the market for value-added services in May 1986, but only last month came up with the rules under which such services can be offered. Now those rules will impose special surcharges and conditions on IBM and other large operators who might pose a threat to the French telephone company by launching public networks.

AND in the market for office telephone equipment, where the DGT claims to be open to competition, foreign suppliers would be hard pressed to agree. The DGT has been running Northern Telecom Ltd.'s advanced private telephone switch through two technical approvals process for more than two years, virtually handicapping the company's marketing activities in France.

But France's industrial politicking has also "helped to create an industry which is fairly



Gérard Longuet

telecommunications market. Alcatel, for example, has dropped out of the running for sales of big switches to the Bell Companies that dominate the U.S. market, although the company is planning to come back to this market with more advanced switching and networking equipment.

Nor have the DGT's attempts to parlay Minitel into a mass export item attained much success. Michel Noir, minister of international commerce, lamented recently. In the United States, the DGT's first public videotext network contract is with a virtually unknown company.

France saw its exports of telecommunications equipment, which grew at an annual rate of 22 percent between 1972 and 1984, drop 20 percent last year, according to the Audiovisuals and Telecommunications Institute in Europe. But most countries experienced similar downturns as a result of world market conditions, Mr. Ypsilanti said.

"An investment swing is starting," Mr. Ypsilanti said, because more and more countries are digitizing their networks. "But I don't think it's big enough for everyone to have a piece of the cake."

"If I had to say who would survive in Europe, I'd have to put the French in the first two to survive." Others could be West Germany's Siemens AG or Ericsson, he said.

For any country, survival in the switching business is critical.

"Switches are more than just the manufacture of a piece of machinery. They have industrial policy importance and strategic technological importance," Mr. Ypsilanti said. "The development of telecommunications switching technology drives semiconductor, software and other industries important to a national industrial base, he said."

harmoniously balanced," said Dimitri Ypsilanti, principal administrator of the division of information computer and communications policy at the Organization for Economic Cooperation and Development.

By building up a digital network and services, the French industry has developed a complete, integrated, proven line of telecommunications hardware, software and components, Mr. Ypsilanti said. They have developed needed experience in the services sector as well.

This is what the French are bringing to bear on the international market.

Though well positioned, France has continued to register some low marks on the world market. The company has a very small presence in the United States — the world's largest

KAREN LYNCH is European correspondent for CommunicationsWeek, an American newspaper covering the telecommunications industry.

Manufactures

EC Key Market For Equipment

By Jack Stockdale

LONDON — The European Community has become the prime market target for the world's telecommunications equipment manufacturers.

With fairly slow growth in many traditional markets, particularly the United States, the 12 EC countries have collectively become the world's most lucrative market.

Spending on telecommunications equipment in the United States has leveled off at around \$24 billion a year with growth of between 2 percent and 4 percent forecast until 1990.

The EC members spent \$20.6 billion in 1986 and this is forecast to rise to \$23 billion in 1990 — an average growth of 8 percent a year.

Since the United States is expected to spend \$27 billion in 1990, the EC countries together will become the largest telecommunications equipment market in the world.

Manufacturers have been quick to see the opportunities with a large number of mergers, joint ventures, share participation plans and subsidiary formations over the last three years.

The latest of these was earlier this month when Canada's Northern Telecom bought ITT's 24 percent share in Britain's STC, bringing its stake to 27.8 percent.

These corporate moves have been designed to make for easier entry of products into the European Community and to gain advantage of the tariffs that will make pricing more competitive.

The other attraction to Europe is that the financial risk is extremely low compared with other major world developing markets such as China and India where manufacturers often have to make very long-term credit arrangements.

The two other major world markets, the Soviet Union and Japan, have not yet become lucrative to North American and West European manufacturers.

The Soviet Union is now the second largest telecommunications equipment market in the world after the United States, having replaced Japan in 1985.

The COCOM (Coordinating Committee for Multilateral Export Controls) technical exports agreement, which bans the sale of certain telecommunications products to the Soviet Union, is expected to be amended in September 1988, and this should improve the West's supply position to the Soviet Union.

The Soviet Union is expected to spend \$9.6 billion on telecommunications equipment in 1987. This is forecast to rise to \$13.4 billion in 1990.

In 1984, the latest year for which official trade figures are available, Moscow imported telecommunications equipment worth \$524 million, of which the West supplied only \$37 million.

Analysts forecast that, because of the huge telecommunications development program, the Soviet Union will have to import \$5 billion worth of equipment by 1990. If the COCOM ban is lifted, imports from the West could reach \$250 million.

The Soviet Union currently has 26.6 million telephones, which it hopes to expand to 33.6 million in 1990 and 48 million by 2000.

Large exchanges of between 100,000 and 150,000 lines will be

built in five major cities and then rural program calls for the installation of more than 2,000 exchange changes of between 1,000 and 1,500 lines.

In 1986, Japan's spending on telecommunications equipment was just over \$7 billion and this is forecast to rise to \$8.5 billion in 1990.

The recent flotation of Nippon Telegraph & Telephone has noted to the opening of the market that was expected and, in fact, many analysts feel that it will be a long time before foreign countries make major inroads into the Japanese equipment market.

As a result, the world's manufacturing countries have all made efforts to get into the European market, although in some areas — public switching, PABX systems —

Members are expected to spend \$28 billion on equipment in 1990.

and telephone handsets — the EC is becoming very crowded.

The areas that provide the most opportunity will be data communications, mobile communications and value-added services.

The problems that manufacturers are facing in Europe are that many markets are still very restrictive in accepting anything but basic customer premises equipment, and there is little likelihood that this will improve over the next five years despite the efforts of some governments to introduce limited deregulation of their PTTs.

At present, Britain is the only member of the EC with a competitive network — British Telecom and Mercury Communications.

The French government may allow a second network within the next five years.

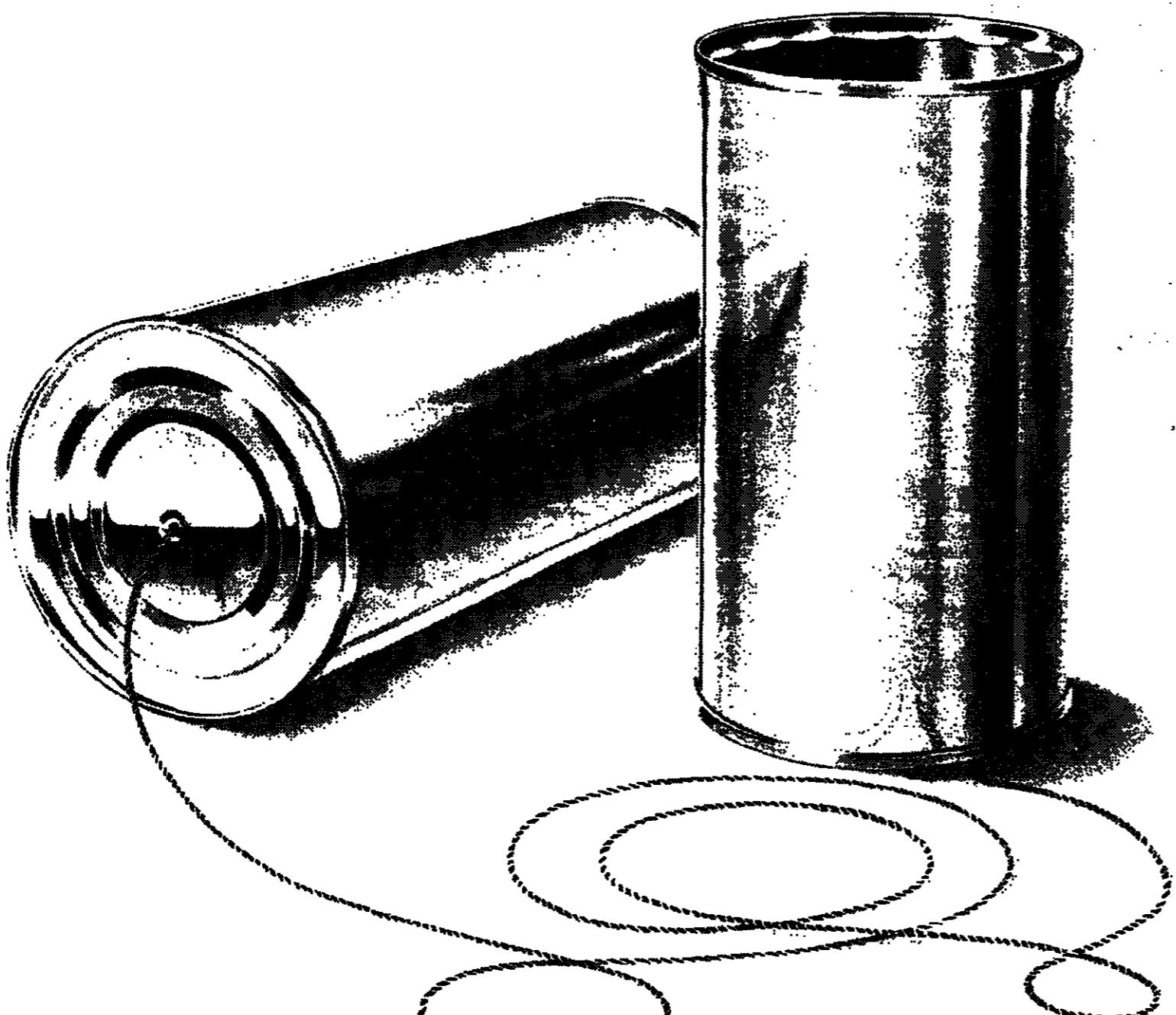
A breakthrough for the PTTs pressuring pan-community technical standards is in digital cellular telephones where the control it has over a band over the radio frequency spectrum allowed for an application by the international telecommunications unions to give it some real power.

A large number of other collaborations and mergers between European telecommunications manufacturers and countries outside the EC is expected to follow.

Non-EC manufacturers have also begun to form alliances with EC counterparts to penetrate these markets.

The Japanese have tended to opt out of any major switching thrust in Europe to concentrate on facsimile, telephone handsets, mobile radio terminals, key systems and small PABX systems.

JACK STOCKDALE is a senior analyst with the Telecommunications Industry Research Center in Britain.



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Jack Lynch

Telefónica Forging Key Joint Ventures In Global Markets

By Tom Burns

MADRID — It is not surprising that everybody likes Telefónica on the floor of the Bolsa, Madrid's stock exchange. Spain's national telecommunications company has been a consistent market maker for close to five years as the flagship of the country's business renaissance.

Telefónica, which is 31 percent owned by the state and is widely listed on the world's major stock exchanges, is also a favorite among foreign investors, for 22 percent of its capital is held outside Spain. The company is perceived to be innovative and ambitious and is a recognized key player in the fast-expanding Spanish economy.

Under the leadership of Luis Solana, a former Socialist member of the Cortes, or parliament, who was appointed Telefónica's chairman by the incoming administration of Prime Minister Felipe González at the end of 1982, the company has forged breakthrough joint ventures with the giants of world telecommunications.

Deals with American Telephone & Telegraph to build a \$200 million semiconductor plant outside Madrid and with Fujitsu for the assembly in Spain of medium-sized office computers and electronic data-processing equipment in the early days of Mr. Solana's stewardship of the company were landmarks in Spain's business environment and showed the shape of things to come.

Currently, attention is centered on a major investment plan announced last year by Telefónica, and subsequently reassessed and expanded, which highlights the company's ambitions. The funding program, covering bonds and commercial paper issues, has most recently included a rights issue on the Madrid Bolsa aimed at raising 75 billion pesetas (\$615 million).

Over the next five years, Telefónica will be involved in 1.8 billion pesetas worth of capital spending as it overhauls and modernizes Spain's telecommunications. The original investment plan, drawn up last year, envisaged 1.3 billion pesetas and was to last through to 1990. In its reassessment of its requirements, Telefónica extended the plan by a year and tripled its outlay by 500 million pesetas.

Two factors lie behind Telefónica's growth. One, quite clearly, is demand. The other has to do with new legislation that to a degree deregulates Spain's telecommunications and ends the company's 50-year-old monopoly of the sector.

The revised investment program was, in part, a response to a continuing demand for lines. Last year there was almost a 30 percent increase in the demand for lines, and Telefónica's strategists believed that this would taper off considerably this year. In the past few months, however, demand has continued to increase at a 20 percent rate.

In particular, demand and modernization focuses on the cities of Barcelona and Seville, which will both be in the public eye in 1992. That year Barcelona, Spain's second largest city with a population in excess of three million, will hold the Summer Olympic Games and Seville, which has a population of more than 700,000, will commemorate the 500th anniversary of Columbus's voyage to the New World by hosting a six-month-long world fair.

The telecommunications infrastructure in both cities will be transformed before these events. The introduction of digital systems in Barcelona and Seville had been planned for the mid-1990s but the installation has been urgently brought forward as have been plans for cable television and satellite hookups.

Broadly, the market in Spain for data transmission and integrated communications is expanding faster than Telefónica had anticipated. This reflects the growing confidence of the business community and the overall growth of the Spanish economy. One Telefónica telecommunications venture to satisfy this demand concerns a videotex service, named Mertex, which the company hopes will have half a million subscribers by 1992.

The new legislation, a package of measures that comes under the umbrella of the Ley de Ordenación de Telecomunicaciones and which is known by its acronym OT, drives wedges into Telefónica's monopoly but it reaffirms the company's status as the star of the show in Spain.

Deregulation essentially concerns modems and other equipment. This is in itself a potentially lucrative market. In the past month, there has been a 50 percent rise in the purchase of telephones, for example.

The future of terminals and other vector products will be the responsibility of the ministry and of Telefónica as in the past. Telefónica, under the terms of the OT, maintains its role as Spain's leading carrier of telecommunications.

Determined to remain the indispensable lead actor on the Spanish

telecommunications stage, Telefónica unveiled plans earlier this year to head a series of risk capital ventures to develop advanced technology. Two separate ventures have fuelled considerable interest.

One is an agreement in the United States with the California-based Electronic Data Systems (EDS) that will further develop and market Telefónica's packet switching system called TAKSIS. It has already been successfully sold in Canada and in Argentina. The new venture is provisionally named Telecommunications Data Services.

The second initiative is a recently announced plan to build a telephone manufacturing plant, estimated to cost \$3 million, in the Urals. The joint venture with the Russians, in which Telefónica will have a 49 percent stake, aims to build sets that have been developed by the Spanish company and will be adapted to Soviet requirements.

Telefónica's financial requirements for its overall outlay in the coming years have, in the meantime, a secure base.

TOM BURNS is the editor of Spanish Trends, a Madrid-based monthly business report, and a contributor to Newsweek and The Washington Post.



London posters advertise sale of British Telecom which was heavily subscribed to after it was privatized.

For Privatized BT, a Public Outcry

By Brenda Maddox

LONDON — The British public, basking in its new ownership of half the shares in the country's national telecommunications system, may ask itself whether the pleasures of ownership outweigh the bad service.

British Telecom was privatized three years ago, that is, nearly 51 percent of the shares in the government-owned corporation were sold to private investors — at an attractively low price.

The public, including many who had never owned stock in a company before, snapped them up. The shares now sell at nearly three times their original value, a guarantee that a large outcry would greet any future socialist attempt at renationalization.

But BT's service has deteriorated and privatization is, rightly or wrongly, seen to be the reason.

Safe in the private sector, BT has little incentive, the public feels, to meet complaints of overcharging, broken telephone booths, slow repairs and late installations. Rate rises, too, have hit the private user hardest: Last year, there was a hefty 37 percent rise in the price of making a call in the morning peak hours, from 9 A.M. to 1 P.M.

Under the terms of privatization, there is little the public can do except moan. For most, there is no alternative. When the Thatcher government cut BT loose from state ownership, it permitted only one competitor, a new company, Mercury, owned by Cable and Wireless. Mercury has begun to offer a telephone service — and savings of at least 10 percent — but so far it has aimed primarily at business customers, who are BT's favorites, too.

Or who thought they were.

One group of users in central London banded together to complain that its members had lost 30 percent of their business because of faults on BT lines. The group asked BT for a refund. When BT refused, it declared that its

members would switch en masse to Mercury in February.

BT seems slow to the point of indifference on installations, too. Applications for new telephone connections can take from six weeks to three months to be filled.

BT's regulator, Ofel, can only watch, scold and refer problems to the Monopolies and Mergers Commission. Yet, under its forceful director-general, Brian Carsberg, Ofel has been more of a nuisance than BT had expected. It has compelled BT to allow outside contractors to install internal telephone wiring and to change its accounting system to make cross-subsidization more detectable. Ofel also helped stop a deal between BT and IBM on voice-added networks.

Last month, Mr. Carsberg criticized BT for the poor state of public telephone booths: 23 percent were out of order nationwide, with 38 percent in London, of which 17 percent of those checked remained unprepared for three weeks or more.

To improve services, BT is hurrying toward the general introduction of its electronic telephone exchange, System X. In spite of cheery television advertisements boasting "It's you we answer," the signs of improvement are slow. BT is having to compensate for years and years of underinvestment. In 1982, the year before privatization, BT's investment per capita was only two-thirds that of France and just half of West Germany's.

Yet, electronic exchanges are essential for providing such service as an itemized telephone bill. BT promises that the itemized bill is on its way, a promise it has been making for years. Only two trial services are presently available in Bristol and in the City of London.

Moreover, BT, with profits last year of £2 billion (\$3.45 billion), has given offense by placing an extra charge for "premium" maintenance — a telephone repaired within a day of going out of order. This charge hits emergency services. This month, BT sent the National Health Service a bill for £5 million for same-day repairs, a service the NHS, like everybody

else, previously enjoyed free. The TUA says selective repair "smells of monopoly abuse."

The recent intense criticism precipitated the retirement of Sir George Jefferson, BT's chairman, last month. But there was new outcry when he was replaced by his deputy, Alan Vallance, an old BT hand. Why did BT acknowledge its need for a fresh approach by appointing somebody from an outside industry? Why is BT, with its solid profits, hoping to be released in 1989 from the pricing formula which keeps its rate increases 3 percent below the level of inflation?

The interests of shareholders (and the British Treasury's interest in raising cash from the sale) took precedence over creating a competitive environment.

Even so, a small start has been made in allowing more companies to compete with BT. Cable television systems have been given the right to offer two-way telecommunications services to their subscribers, but are not allowed to carry voice services.

Thus, BT will continue to enjoy its near monopoly. If Mercury continues to thrive, it will by 1990 still be taking in only £50 million worth of the national telecommunications traffic, which then will be turning over about £12 billion a year. And both companies are protected by government policy from new competitors offering "resale," a practice in which third parties rent telephone circuits in bulk and resell them at lower rates.

Next April, the Treasury hopes to sell off the remaining 49 percent of BT's shares. BT's financial prospects are bright: 10 percent growth in profits and 15 percent growth in earnings. The Treasury will not want to see anything done to darken them. The official concern is still to make BT a good buy rather than a good service.

BRENDA MADDOX is media columnist for the London Sunday Telegraph.



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The purpose of the CNT is to make available to the budget of the P et T funds needed to pursue further investments in telecommunications.

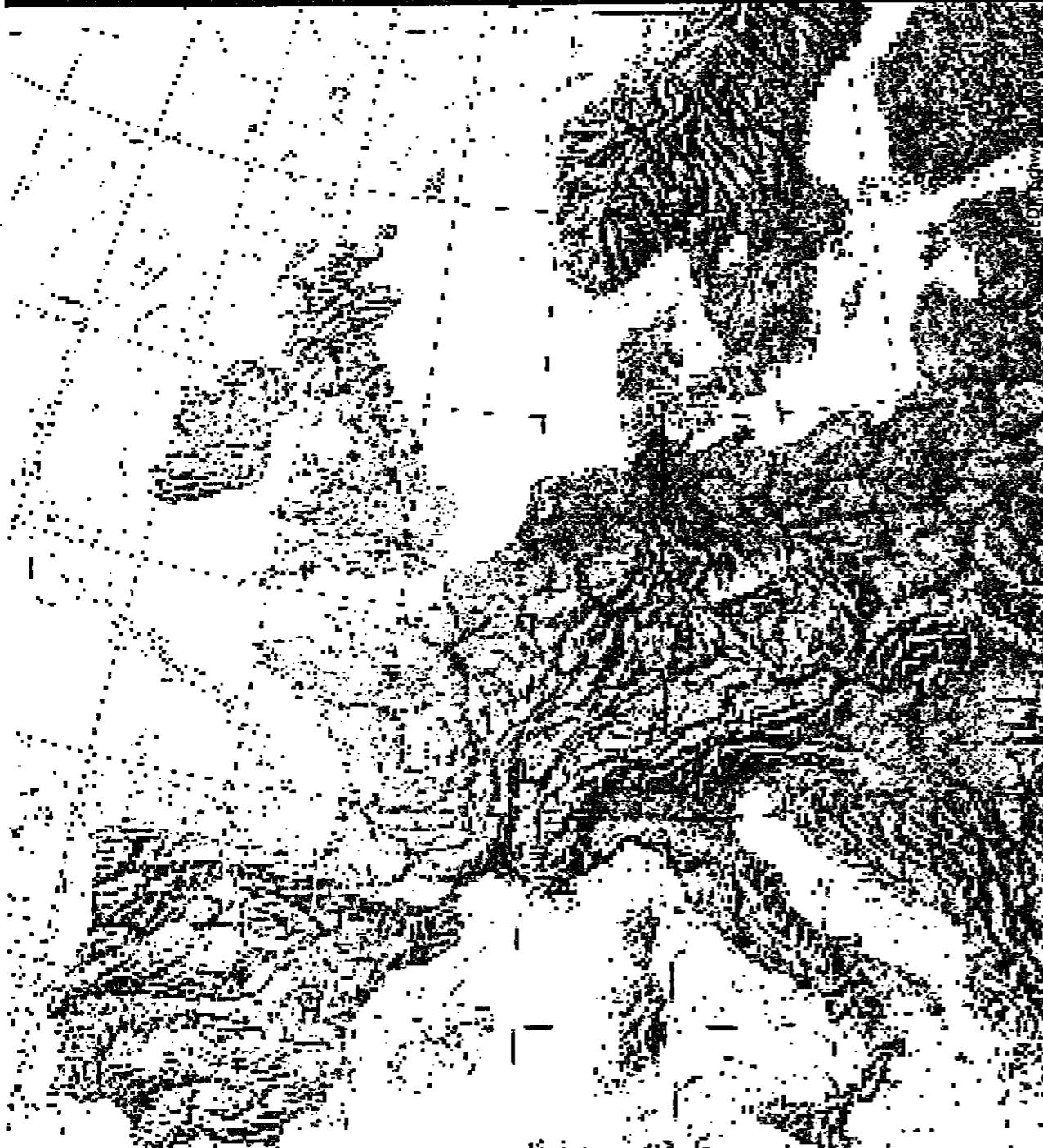
The CNT both issues loans and invests in companies whose exclusive purpose is financing of Telecommunications.

The CNT is currently active in the major domestic and international financial markets for public bond issues and syndicated and non-syndicated bank loans. Throughout the year, the CNT issued commercial paper on the United States and Euro-markets.

The CNT has played an essential role in the investments of the Telecommunications branch of the French P et T since 1974.

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China on the Brink of an Information Revolution

Foreign suppliers scramble for world's largest undeveloped market.

By Ken Zita

NEW YORK — China is on the brink of another revolution — the information age — and foreign telecommunications suppliers are scrambling to gain entry into the world's largest undeveloped market.

Telephone service in China is archaic. The country has fewer than six million telephones for a population of 1.1 billion, or about one phone for every 200 citizens. In the countryside, the ratio is about one for every 540.

There are few private telephones. Instead, a local telephone company (often doubling as a bicycle garage or cigarette shop) may have two telephones for the neighborhood: runners go yelling for the called party, and messages are posted on public chalkboards.

The central government has identified telecommunications as a strategic priority, along with energy and transportation. Government planners believe that the so-called Open Door economic reforms, which are designed to stimulate economic growth through more liberal market policies and less government control, cannot be sustained without competitive financial and consumer markets.

Cultural and social modernization,

however, is linked closely with the mobility of information. Special investment incentives and experimental corporations have been established to accelerate sector development, making telecommunications one of China's darling industries.

Foreign corporations are eager to take part, even though the market is tiny by world standards. It was worth only about \$300 million in 1985. This compares to what each of the seven U.S. Regional Bell Holding Companies spends in six weeks.

The horizon isn't much more exciting. Only about \$20 billion to \$25 billion will be invested in telecommunication equipment to 2000, or about the value of the U.S. industry in 1987. By establishing a presence in the market, however, foreigners hope to earn "old friend" status — friendship that may come due next century, when China's economy is projected to boom.

Interest in the market is keen. Antiquated electromechanical switching exchanges dating to the 1920s will be superseded by digital systems, and fiber optics will replace uninsulated steel transmission wires.

China cannot build the technology on its own and is seeking imports, know-how and joint manufacturing agreements. But business is difficult. Foreign exchange reserves, as of June, total only \$12.6 billion, crimping free spending. In addition, the state bureaucracy is provincial; an absence of technical standards and inconsistent tariffs and arbitrary local regulations often bring ambitious programs to a halt.

Nevertheless, hundreds of suppliers are parading their wares in search of contracts. Private industry views China as the litmus test for Third World markets — crucial for the future as demand peaks in industrial nations. Exporting governments, anxious to score geopolitical points, are making available huge soft loans targeted at telecommunications exports in China.

Japan, which commands China's telecommunications imports, has made available \$145 million in credits to underwrite its companies. The effort is paying off. Fujitsu has more than 400,000 main

Doing Business With China

Some governments are underwriting participation in China's growing market for telecommunications systems.

Country	Loans	Amounts	Terms	Main Corporations
FRANCE	YES	\$194 mil.	2.5%, 30 yrs.	Alcatel, Aerospatiale, TRT
JAPAN	YES	\$145 mil.	3.25%, 30 yrs.	Fujitsu, Hitachi, KDD, OKI, NEC
SWEDEN	YES	\$ 39 mil.	OECD standard	Ericsson
UK	YES	\$ 48 mil.	5.0%, 15 yrs.	Cable & Wireless, GEC Plessey, STC
CANADA	YES	\$ 300 mil.	OECD standard	Northern Telecom, Spar
USA	NO	0	n/a	AT&T, GTE, IBM, Sci. Atlanta, Motorola
GERMANY	NO	0	n/a	MBB, Siemens, SEL

Source: *Tuna International*.

switching lines on order — more than twice as many as the nearest competitor. NEC is dominant in the PBX, fiber optics and microwave markets.

Japanese success can also be attributed to market saturation by the *soga shosa*, the big integrated trading companies. As one Western diplomat complained, Japanese telecommunications salesmen "can eat congee [rice porridge] anywhere. We can't." The loans have recently become useful for offsetting the yen's recent appreciation.

France has made available nearly \$194 million, on the terms of 30-year payback, 2.5 percent interest and 10-year grace period. With Alcatel's acquisition of ITT's telecommunications subsidiary, the French inherited a 30 percent stake in the Shanghai Bell Telephone Equipment Manufacturing Co., the only manufacturing facility for digital switching systems in the country. Alcatel also has a contract for 100,000 lines of its E-10 central office exchange in Beijing, but like many suppliers, it has encountered

technical difficulties in getting it installed.

Sweden has contributed strongly to making Ericsson the switching market leader. Government spending packages are small but effective; nearly all big sales make use of the funds.

Britain, a recent addition to the trade subsidy roster, has put about £30 million (\$48 million) to help STC and Plessey take part in a manufacturing venture for network and optical transmission equipment in Shanghai.

Cable & Wireless plc, a prominent figure in Chinese telecommunications, hasn't needed any funds. It owns the lucrative Hong Kong Telephone Company (until 1995, two years before the colony reverts to mainland control) and manages a telephone company in the nearby special economic zone of Shenzhen.

Canada, another recent player, has made available a line of credit worth about \$300 million for all industries. Northern Telecom has had a few sales,

and Spar Aerospace is manufacturing a satellite earth station with the Chinese Ministry of Electronics.

The United States and West Germany, home to the telecommunications giants AT&T and Siemens, among scores of small but sophisticated firms, prefer a laissez-faire approach. Neither has a trade-aid program. The United States earned 15 percent of the 1985 market; West Germany, 5.1 percent; industry sources place at least some blame for the relatively poor showings on the absence of government financing.

However, AT&T has signed big contracts in Beijing, and both AT&T and Siemens are in competition for a proposed switching and semiconductor agreement. Negotiations hinge on the level of technology to be transferred, and guarantees for profit repatriation.

Almost every telecommunications exporting nation has an interest in China — among them Australia, Belgium, Hungary, Italy, Netherlands, Norway, Spain, Switzerland, Yugoslavia, not to mention "back door" sales from Taiwan.

One of the big stumbling blocks to the market comes from COCOM — NATO's Coordinating Committee for Multilateral Export Controls. The West, taking cues from the Pentagon, prevents high-speed network equipment, fiber optics electronics and many other technologies from being shipped.

COCOM doesn't want to improve China's launch or military command and control capabilities, or interfere with friendly foreign spies' electronic eavesdropping. Export restrictions on telecommunications equipment and software are violated, but never with the same fanfare as Toshiba's shipment of propeller machine tools to the Soviet Union.

KEN ZITA is president of Tetra International, a telecommunications research firm. He is the author of "Modernizing China's Telecommunications." (The Economist Publications, 1987).

Foreign Firms Hurdle a Few Japanese Barriers

By Stuart Auerbach

WASHINGTON — A new contract awarded by Nippon Telegraph and Telephone Corp. to Data General Corp., the Massachusetts-based computer and communications firm, represents what American negotiators had hoped would result from a tortuous series of negotiations to give foreign companies an even break in competing for business in Ja-

pan's booming telecommunications market.

For one of the first times, NTT, Japan's premier telecommunications company, had allowed an American firm in on the ground floor to help design and build major new equipment for sale to Japanese business.

The contract for a new generation high-speed integrated communications system was highly praised by Reagan administration trade officials as "an encouraging

sign" that Japan was finally beginning to open up its telecommunications market.

The contract was worth about \$140 million when NTT offered the system — which will allow switching on phone, data and image transmission both between and within offices on one network — when NTT offers it for sale in the spring of 1989. Data General will market it elsewhere in the world shortly after.

The assistant U.S. trade representative, Douglas Newkirk, said the purchase shows that NTT is improving its compliance with a seven-year-old agreement to buy more high technology products from American companies.

NTT purchases literally started from zero. In the first years of the agreement, the Japanese company, then a government monopoly but now in the process of shifting to private ownership in a more competitive marketplace, scrambled to buy telephone poles and waste paper for directories so it could show some U.S. purchases on its books.

By 1986, though, its purchases had climbed to \$229 million, all in high technology products. Since 1981, NTT says, its U.S. purchases have totaled more than \$1 billion.

"This is still not enough. NTT needs to purchase more from the United States," said Mr. Newkirk.

The Reagan administration had targeted the Japanese telecommunications market, the second



Computerized data bases upgrade NTT directory assistance operations.

largest in the world behind the United States, for concentrated action because of a view in Washington that American products were competitive if Japan would just allow them in.

But U.S. trade negotiators were fighting a combination of national

standards that were different from those in the rest of the world; an entrenched bureaucracy in Washington and in the Ministry of Post and Telegraph that resists dealing with non-Japanese companies; and close ties within Japanese companies serving the communications industry.

In January 1985, President Ronald Reagan and Prime Minister Yasuhiro Nakasone gave special emphasis to Japanese telecommunications purchases in a high-level series of trade talks designed to end Japan's barriers to foreign products.

The talks were run under a tight deadline since NTT was due to go private in April, and the United States wanted to make sure that new laws passed as part of that change would encourage openness.

Although the talks were labeled a success by Secretary of State George P. Shultz, American companies still report meeting with bureaucratic barriers and a resistance from Japanese purchasers.

Motorola Corp., for example, was barred for years from marketing its world-class portable telephone and pagers in Japan. Now, it has about 25 percent of the pager sales in Japan, more than its closest competitors, and company officials said that never would have happened without the help of the U.S. government.

But Japan blocked Motorola from taking a dominant position in the country's pager service business, instead giving the prime Tokyo market to a consortium of Japanese companies, headed by Toyota, with little experience in telecommunications.

"We were snookered down to 9 or 10 percent of the pager service business," said Robert W. Galvin, chairman of the board of Motorola.

Similarly, a British telecommunications group that included American companies faced moves by Japanese competitors blocking it from operating international telecommunications service in Japan. The proposal included laying a new trans-Pacific cable to the United States, where American companies would take over.

The Japanese government allowed the British group, headed by Cable and Wireless, to apply

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Southeast Asian Hub ■ Australian Deregulation

Singapore Betting on an Expanded Role

Its small size and compact population have made it easier, quicker and cheaper to build an advanced telecommunications network than in bigger neighboring countries.

By Michael Richardson

SINGAPORE — Turning its small size to advantage and using its geographical location as a maritime gateway between the Pacific and Indian oceans, Singapore has systematically developed its position as a regional and international telecommunications hub over the last two decades.

When the first satellite earth station was commissioned in 1971, Singapore had 23 satellite circuits providing links to five countries. By the time a second earth station was officially opened last May, the system had 1,200 circuits linked directly to 50 countries.

Singapore, an island-state with a population of only 2.6 million, ranks as the world's 13th largest investor in Intelsat, the 113-member organization that owns and operates the global

bigger and more populous neighboring countries such as Indonesia, where satellites play a key role in drawing together more than 13,000 islands in a widely scattered archipelago.

Nonetheless, Singapore's telecommunication program has been impressive. With over 1.1 million telephones in its push-button system, the island-state's ratio of 43 telephones per 100 people comes close to the 50 per 100 figure for West Germany and Britain.

Yeo Ning Hong, the minister of communications and information, is sure the heavy investments in telecommunications will pay handsome dividends. "National economies, international trade and commerce are today totally dependent on the network of telecommunication linkages which interface the globe," he said.

The government, through the state-owned Telecommunications Authority of Singapore, has pumped extensive amounts of money and skilled manpower into the construction of a reliable and modern telecommunications infrastructure.

In addition to the satellite channels, six international submarine cable connections out of Singapore provide alternative all-weather links with many countries, carrying IDD (international direct dialing) calls to more than 160 destinations.

Analysts point out that Singapore's small size and compact population have made it easier, quicker and cheaper to build an advanced telecommunications network than in

moved its regional headquarters from Bangkok to Singapore partly because it was attracted by better communications. Other companies, among them Data General, the U.S. computer manufacturer, have also cited Singapore's advanced telecommunications as one of the factors in establishing or enlarging their operations here.

Company executives have noted with approval that many of Singapore's telecommunications charges, including those for IDD calls, telex, telefax, data leased circuits and a service known as Telespac that gives access to overseas corporate computers and data bases, are among the lowest in the world. Most of these charges have been reduced several times in the last few years.

In August, the Telecommunications Authority offered subscribers a new range of wide-band digital data leased circuits via Intelsat. These can, for example, be used for transmission of motion pictures or large volume information transfers for printing of newspapers.

Singapore has invested about \$191 million in financial institutions, more than 600 multinational corporations and a host of other companies relying on rapid data exchange, including computer-processed information, have set up office in Singapore.

The government believes that offering dependable and relatively cheap telecommunications is an important means of enhancing the competitiveness of Singapore-based businesses and attracting new investment, including high-technology ventures and multinationals wanting to set up regional headquarters.

The Swedish electrical giant, Ericsson,



The Sentosa satellite earth station on the outskirts of Singapore.

cable. That will change in 1990 when the two countries are to be linked by the first international optical fiber cable.

These fibers of special glass transmit pulses of light and can carry much more information than conventional copper wires used in both land and submarine telecommunication cables.

Alan Wong, manager of the Telecommunications Authority's submarine cable systems, said that the authority would buy circuits in a trans-Pacific optical fiber cable that will link the United States with Japan via Hawaii and Guam when it is completed in December 1988.

The oil-rich sultanate of Brunei is the only close neighbor that is not connected to Singapore by an underwater telecommunications

from Singapore to Hong Kong, South Korea and Japan by mid-1990.

The first phase of an optical fiber network within Singapore, covering 15 telephone exchanges, was completed in 1984. The second phase, linking the remaining 11 exchanges, was finished in July. Officials said that by 1989 about 7,400 miles (12,000 kilometers) of optical fibers would crisscross Singapore, providing the basis for a wide range of sophisticated voice, video and data services.

MICHAEL RICHARDSON is the Southeast Asia correspondent for the International Herald Tribune and is based in Singapore.

Hawke Tackles Monopoly

By Laurel Fox Allen

SYDNEY — Prime Minister Bob Hawke, who won an unprecedented third term of office in elections in July, is spearheading a drive for deregulation and privatization in Australia in an effort to revive and restructure the country's economy.

Chief among the candidates for deregulation is Australia's largest enterprise, Telecom Australia.

In a September 1986 report, the Economic Planning Advisory Council (EPAC), which was chaired by Mr. Hawke, selected transportation and communications as the two industries ripe for deregulation.

EPAC noted that technological change had brought diversity and opportunity to the telecommunications industry, and, it argued, Telecom Australia no longer had a natural monopoly, that is, one where only one supplier would survive if the market were fully open to competition. It concluded that its monopoly should no longer be protected.

The EPAC analysis found wide support among communications users. The Australian Telecommunications Users Group, a lobby group for big business and business communications users, and the vendor group, the Australian Information Industries Association, have pushed for change and an end to Telecom's monopoly.

Private industry wants the removal of telecommunications regulation power from Telecom Aus-

tralia and the formation of an independent regulator. It also wants the regulator to limit Telecom's powers by drawing a line between basic communications services and what is value-added to the infrastructure.

Telecom Australia has promoted the idea that Australia, a set of coastal cities held together by a giant desert center, suffers from

Private industry has pushed for change.

the "tyranny of distance" and that this is reason enough to remain a monopoly. But commercial companies argue that monopoly, not distance, creates tyranny.

Although Telecom Australia

has said that it wants change, it primarily wants change that will allow it to compete with private enterprise. It says, however, that until legislation is changed, it will continue to use its powers as it sees fit.

It's 17 telecommunications industry unions, and especially the biggest union, the Australian Telecommunications Employees' Association, however, have threatened to derail Telecom Australia

by stopping cash flow by restricting computer use.

The unions believe that Telecom must remain a monopoly in order to protect the jobs of their workers and to hold back the erosive effects of market forces on universal telecommunications services.

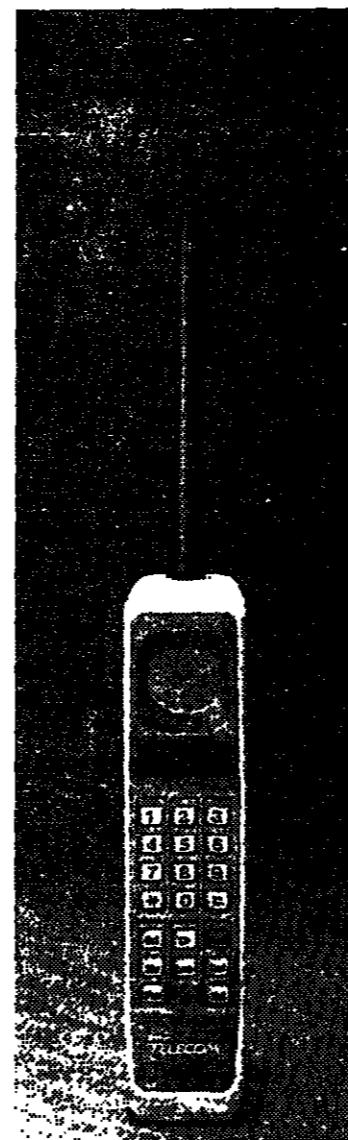
For 13 years, Telecom supported this view. However, in August, Mel Ward, its managing director, did an about-face. He said that since Australia's basic telecommunications services were established, Telecom Australia would now "go commercial."

Meanwhile Gareth Evans, head of the new Department of Transport and Communications, the super-ministry formed by the merger of the communications, transport and aviation departments shortly after the Labor government was re-elected, formed a "communications task force." Its report, expected late this year or early next year, will undoubtedly mean a major rethinking of legislation that defines the regulatory machinery of communications and broadcasting in Australia.

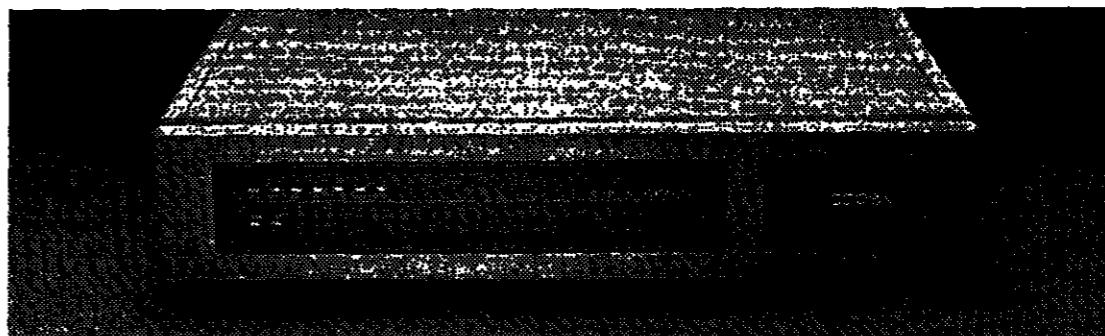
Mr. Evans, who is sometimes referred to as the "minister of privatization," has already developed an auction system for new radio licenses and ended the two-airline control of domestic aviation.

LAUREL FOX ALLEN is director of the Computer and Telecommunications newsletter based in Sydney.

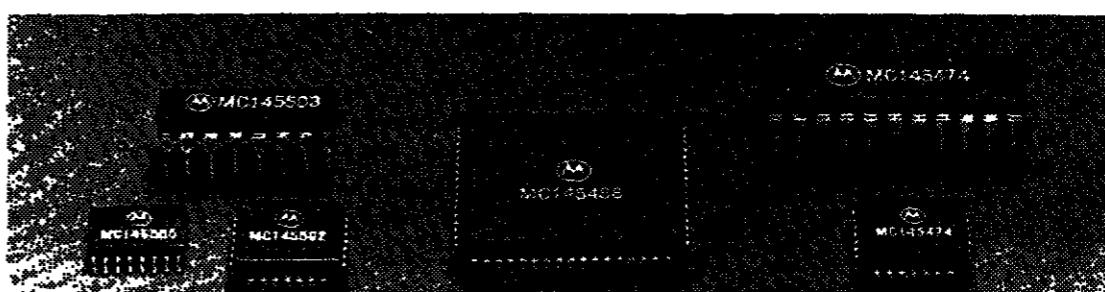
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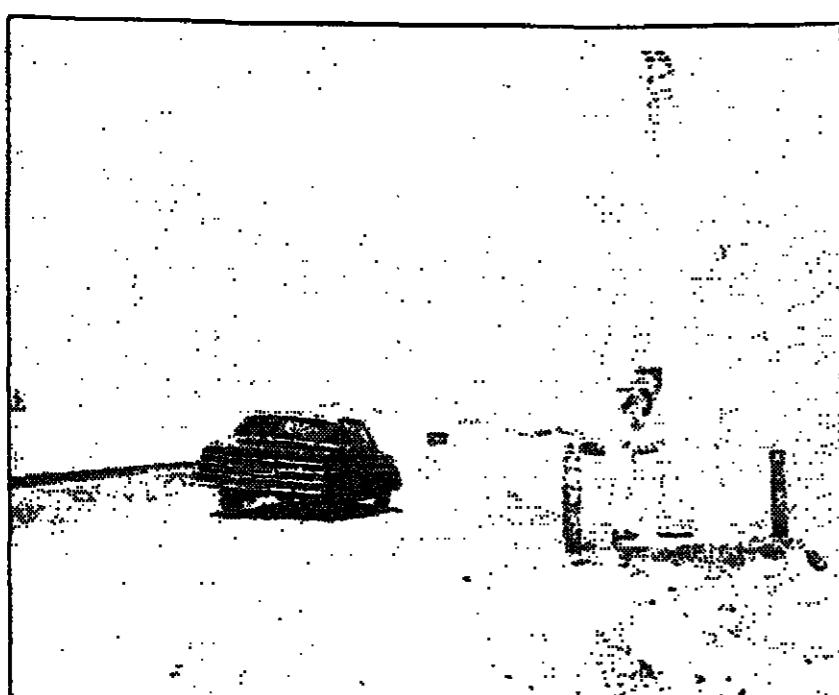
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Gulf States Install Extensive Networks

LONDON — The Arab countries like Africa and other parts of the developing world have also had to try to advance from a very low base level. In the last decade, they have achieved spectacular national and regional results.

In less than 10 years, Saudi Arabia has installed one of the most modern telephone systems in the developing world. Telephone lines were increased from 130,000 lines in 1978 to 1.3 million by the end of 1985. This has necessitated the installation of a complete transmission as well as exchange infrastructure in the country.

Facilities include a 15,000-kilometer (9,000-mile) microwave network, 5,000 kilometers of coaxial and optical fiber cable and seven satellite earth stations for domestic, international and maritime communication services.

The rapid development of telecommunications has been paralleled in other Gulf oil-producing countries. Bahrain has an expanding mobile telephone system and last year introduced a radio paging service. Mobile car and paging communication systems are also being developed in Kuwait, while pay telephones are becoming increasingly common in the region.

The region has also seen a vast increase in links with the rest of the world. More than 90 percent of Saudi telephone subscribers can dial direct to 160 countries and an estimated five million international calls are being made each month from Saudi Arabia.

The kingdom has an important role in the region's telecommunications and provides a

significant part of the Southeast Asia-Middle East-Western Europe cable route.

Other regional developments have included the Middle East and Mediterranean Telecommunication Network (Medarantel) project to coordinate network developments in North Africa, the Horn of Africa, Arab countries and the Balkans, including Turkey and Greece.

The services developed in individual countries, including radio, cable and satellite links have evolved into a comprehensive regional infrastructure. In the Arab countries alone, telephone lines increased from 1.8 million to 5.5 million in the 10 years to 1982.

The most assertive move toward regional cooperation in the developing world has been the Arab Satellite Communications Organization's investment in a two-satellite communications system that was put into orbit in 1984. One satellite was launched by a European Ariane rocket and the other by the U.S. space shuttle.

Since then ground links and use of the system, which is designed to provide intraregional telephone, data and broadcasting services, have been slow to develop. Of 8,000 available circuits, only 1,430 were in use by the end of this summer. Nevertheless, the system shows the telecommunications advances that can be achieved in the developing world.

Iran's PTT minister said this year that his country is designing its own telecommunications satellites that are to be launched by China in the early 1990s.

Robert Bailey

The entire African continent with its 500 million people has fewer telephones than Tokyo.

By Robert Bailey

LONDON — The divide between telecommunications haves and have-nots may appear to be lessening at this year's International Telecommunication Union exhibition in Geneva as Third World countries as well as industrialized nations and major international companies vie to draw attention to their achievements, products and aspirations.

Substantial growth has certainly occurred in telecommunications infrastructure throughout the world since the last ITU exhibition four years ago. There is, however, still a huge disparity in the amount of telecommunications services and in their quality between industrialized countries and the developing world.

Most of the world's population lives in countries with less than 10 million telephones among them compared to a worldwide total of 600 million telephones. Indeed, two-thirds of the world's population has no access at all to telephone services.

The entire African continent with its 500 million people has fewer telephones than Tokyo.

The ITU's independent commission for worldwide telecommunications development reported in 1985 that, while developing countries account for 20 percent of the world's gross domestic product, they possess only 12 percent of the telephones. The disparity is even more marked in low-income developing countries which account for 5 percent of the world's gross domestic product though their share of the world's telephones amounts only to 1.3 percent.

Bangladesh with a population of 90 million had only 160,000 telephones in 1983, equivalent to a ratio of 0.18 per 100 people. Ethiopia with its 34 million population had just 0.31 telephones per 100 people. On average, telephone densities in less developed countries are 0.2 per 100 of population compared to 70 per 100 in Brussels or 92 per 100 in Los Angeles.

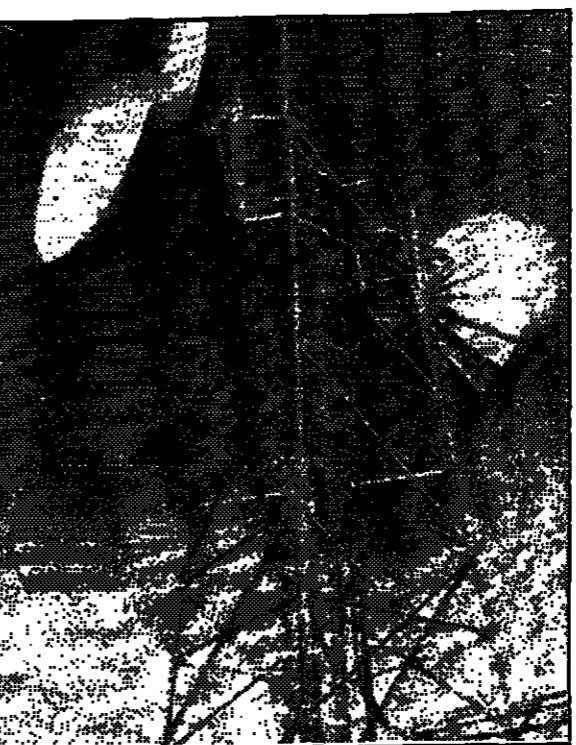
The independent commission, comprised of 17 members of different nationalities, was set up following a plenipotentiary meeting of the ITU in Nairobi in 1982 and asked to recommend ways to stimulate the expansion of telecommunications in the developing world.

Its report three years later concluded "in most developing countries the telecommunications system is not adequate even to sustain essential services. In many areas there is no system at all. Neither in the name of common humanity nor on grounds of common interest is such a disparity acceptable."

The commission added, "We believe that by the early part of the next century virtually the whole of mankind should be brought within easy reach of a telephone and, in due course, the other services that telecommunications can provide."

By the year 2000 various national plans suggest the possibility of growing from the average of 0.2 telephones per 100 persons in less developed countries to an average of 1 per 100. While statistically a small increase, such an advance would dwarf what has already been achieved in the poorer countries of the developing world.

Meeting the cost will be the biggest hurdle. The PTT adminis-



A radar station in Eritrea, Ethiopia, is helping to bring telecommunications to rural population.

trations of industrialized countries can mostly finance expansion and modernization through revenues, usually obtained on a monopolistic basis, from existing services and clients. This option does not exist for countries striving, for instance, to provide rural services for the first time. Even when installed, there is little prospect of revenues being sufficient to meet even minimal investment costs.

Telecommunications clearly has to be treated as a long-term economic and socially significant investment of major importance for growth and development. A key factor in progressing investment will be the upgrading of telecommunications loans in World Bank priorities. The sector has received considerably less attention in the immediate past than projects for education, industry, water resources, transport, electrification, agriculture and rural development. In fiscal 1987, for example, the World Bank approved \$682 million for telecommunications projects out of approvals totaling \$17.67 billion.

The independent commission has recommended that the World Bank include telecommunications projects in proposals for multilateral guarantees against noncommercial risk. More optimistically, it has suggested that countries consider setting aside "a small proportion of revenues from calls between developing countries and industrialized countries to be devoted to telecommunications in developing countries."

An overall \$12 billion investment is estimated to be needed to bring services in less developed countries to an acceptable level in the next 10 to 15 years.

Africa is in the most dire need of telecommunications development. Of 36 countries classified by the United Nations as less developed, 26 are located on the African continent where rural populations have virtually no access to telecommunications at all, including telegraph, broadcasting and telephone services.

Malawi with a ratio of 0.58 telephones per 100 of its population of 6.5 million is relatively well off compared to other African countries, though to achieve its planned expansion to 0.78 telephones per 100 will mean an estimated \$300 million expenditure by 2000.

The greater a country's population, the bigger the investment required. Uganda with about 14 million people would like to see a tenfold increase in its number of telephones, from 62,000 to 680,000, an increase from 0.45 per 100 to 3.1 per 100 of population. This would necessitate a \$600 million to \$1 billion investment. Sudan with its 20 million population envisages a total \$895 million investment to bring about a fivefold increase in its present 70,000 telephones.

Regional cooperation as well as project development in individual countries is also highly important to the expansion of telecommunications and the raising of standards. Until the end of World War II, most of today's 50 African states were controlled by colonial administrations. Few telecommunication services outside the main government centers existed and what intra-African telecommunication traffic there was was routed through transit centers in Europe.

Developing international links as well has been an onerous, slow moving task due to the almost complete absence of skilled staff at all levels, lack of finance and of equipment relevant to the topographical and climatic conditions of Africa.

In 1962, the idea of a continental network was conceived. The resulting Pan-African Telecommunication (Panafet) network has progressed beyond establishing the backbone of an Africa regional network into an ongoing project that is helping to stimulate development of national networks.

The Panafet network now includes six domestic satellite communication systems operating 64 earth stations, about 3,200 kilometers (1,975 miles) of coaxial multichannel land cables, 5,000 kilometers of submarine cables and eight troposcatter radio relay systems with a total route length of 4,000 kilometers and 26 microwave systems linking various national centers over a length of 20,000 kilometers.

The longest microwave link in the world without repeater stations connects Africa with the Arabian peninsula 370 kilometers across the Red Sea.

In the long term, indigenous manufacture of telecommunications equipment including digital exchanges is likely to be a feature of procurement in the developing world. Production of older electromechanical exchanges already exists in some countries such as Iran.

Turkey has established digital exchange production based on joint ventures with Belgium's Bell Manufacturing Company and Canada's Northern Telecom. By the end of this year, it aims to have provided a telephone link to each of its 36,000 rural communities.

Algeria signed an agreement with Sweden's Ericsson in March to establish a joint venture to produce digital exchange equipment at Tlemcen, west of Algiers. Egypt is currently negotiating with Ericsson and West Germany's Siemens on establishing a similar facility to produce 300,000 lines of digital switching equipment a year.

Saudi Arabia also has plans to produce telephone exchange equipment through an offset agreement with the U.S. Boeing Industrial Technology Group. Morocco has recently told companies bidding to supply about 600,000 of exchange capacity that two-thirds must be produced locally.

Moves toward local assembly and production would benefit from cooperation on a regional basis. At the end of last year, a study by British Telconsult estimated that the Arab world's demand for digital equipment would reach 1.2 million lines by 1990. It added that a demand for 250,000 lines a year was the minimum needed by individual countries to make domestic production viable.

As a result, the study commissioned by the Arab Industrial Investment Company recommended the setting up of just one or two factories to serve the whole region. Their location would be selected on objective economic criteria. Whether such a development is possible raises many questions, not least the availability of finance and the thorny issue of control in a region yet to overcome intense rivalries even in the interest of collective technological progress.

ROBERT BAILEY is the special reports editor of the London-based Middle East Economic Digest.

OUR
CASE HISTORIES OF
TODAY CAN
DETERMINE YOUR
OPPORTUNITIES
FOR TOMORROW.

AT&T

PHILIPS

APT DIGITIZES THE DUTCH TELEPHONE NETWORK.

Telecommunications technology is changing more rapidly than ever before. In The Netherlands, the Dutch PTT is responding to this challenge by investing heavily in the future.

They commissioned AT&T and Philips Telecommunications (APT) to supply a number of digital systems to handle the greater part of the expanding volume of traffic between regional centres.

APT is also main supplier of subscriber exchanges to extend and replace existing telephone exchanges and advanced optical transmission systems for the entire network. When completed, this project will enable new telecommunication services to be brought onto the market.

APT's digitization of the Dutch telephone system is just one of our current projects.

We are also currently active in providing Saudi Arabia with one of

the world's most advanced national telecommunications systems. In the UK we are installing an Advanced Freephone network providing toll-free calling. APT is also upgrading the strategic transmission links for the entire Indian subcontinent and supplying various optical projects in China. These are just a few examples of our current major projects.

APT is one of the very few companies in the world with the capacity, creativity and resources to handle such projects on a turnkey basis both now and well into the 21st Century.

If you want to know more about APT's work and how it can affect your future, ask us for our brochure.

AT&T and Philips Telecommunications, P.O. Box 1168, 1200 BD Hilversum, The Netherlands. Telephone: +31 35 873111. Telex: 43894.

AT&T AND PHILIPS TELECOMMUNICATIONS.
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Jackie 1234

IT is one of the world's foremost producers of automotive equipment.
IT is one of the largest luxury hotel chains in the world.
IT is a leader in defense technology.
IT is an insurance company with assets of \$19.8 billion.
IT is one of the fastest growing financial service companies in America.
IT is a partner in the largest telecommunications manufacturing company in the world.

What is IT?

ITT is a 17.4 billion dollar corporation that knows exactly where it is going.

But it wasn't always this way.



There were businesses we could grow that were clearly "Us." And others that just as clearly weren't.

We parted company with many, but held on to those product and service businesses which offered the chance for industry leadership.

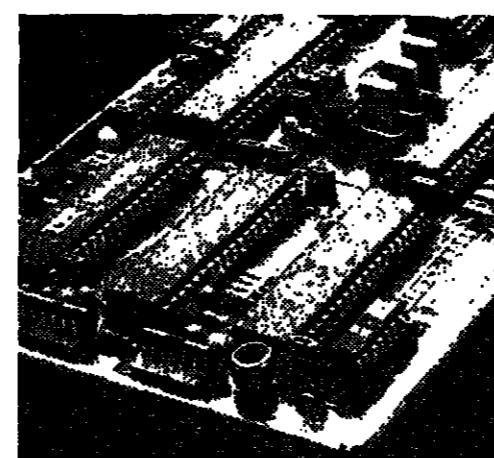
Then we rolled up our sleeves and worked to help those businesses grow and prosper.

And grow they did.

Last year, ITT Automotive sold equivalent of more than \$100 worth of equipment for every car manufactured in Europe and the United States. And grew more than 30%. Two of its major units are Teves GmbH, developer of anti-lock braking systems, and SWF Auto-Electric GmbH, a leader in wiper-system technology.

Our Sheraton Hotel chain grew to nearly 500 hotels, inns and resorts in 62 countries worldwide, including 14 major cities in Europe.

ITT Intermetall, a unit of ITT Electronic Components, is among the leaders in the pro-

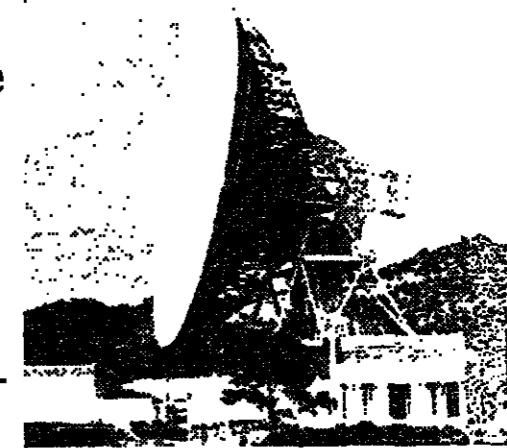


duction of integrated circuits. And it developed the microchip for the most exciting video product in 30 years: digital television.

Worldwide premiums for The Hartford Insurance Group totalled \$4.5 billion for the first six months of 1987—an 11% improvement over first half of 1986.

ITT Financial Services has completed twelve consecutive years of record revenue and income.

And our joint venture with CGE, Alcatel N.V., has given us 37% ownership in what is now the largest telecommunications manufacturing company in the world.



These are just six of the businesses we're in that are already leaders in their fields. We're also leaders in Fluid Technology, Defense Technology, Communications and Information Services and Natural Resources.

The hard work is paying off. In the first 6 months of 1987, net income is up 60%, totaling \$427 million, or \$2.80 per share, compared to \$266 million, or \$1.75 per share for the first 6 months of last year.

And we've only just begun.

IT is **IT**
BUILDING BUSINESSES INTO LEADERS

THE RUMBLE IN WORLD MARKETS: Stock prices plunge in a chaotic, panicky sell-off

MARKETS: Dow Plummets More Than 500 Points

(Continued from Page 1)
grew in intensity and underlined the spreading uncertainty at the duration of the current storm, which began after the peak at 2,722.42 on Aug. 31. Since that peak, the blue-chip index has given up more than 36 percent of its value.

Today's drop helped to wipe out the more than 826-point gain Dow average had piled up since beginning of 1987.

IM led the retreat, falling 331.04, a 52-week low. Eastman Kodak fell \$27.25 to \$62.875, while \$23.625 to \$61.75, and Kipp & Sessing \$20.25 to \$40.25.

"They killed them, they killed a real good, and it's anyone's guess what will happen tomorrow," Bill Lord of Shearson Lehman Brothers.

Old stocks were the only pocket strength. "People run to a safe in gold when there is chaos in the world," one trader said, "and it is certainly that perception of right now with tension in the Middle East and world markets under pressure."

Lebowitz Gold jumped \$3.75 to \$30. Callahan \$2.25 to \$25.50. Asi Ltd. 12.5 cents to \$65.

If the market had just gone 30 points Friday, it might not have been so bad," said Hughston investment strategist at Albany. "But given the way market feels right now, it's clear some real damage."

The Reagan administration's decision to attack off-shore Iranian oil platforms in response to a missile attack by Iran on an American-registered tanker off Kuwait fanned tensions in the market, he self-off accelerated in response to a weaker dollar and the stability that the so-called Lou-

vre Accord to stabilize the U.S. currency may be coming apart.

However, in what appeared an effort to calm financial markets, Treasury Secretary James A. Baker 3d flew to Bonn on Monday, met top financial officials and agreed to support the Louvre pact, the Treasury said.

Mr. Baker commented over the weekend that the U.S. administration might allow the dollar to drift lower against the West German mark to offset Bonn's recent interest rate increases.

Few in the marketplace, however, believe that the administration is capable of allowing the dollar to decline against selected currencies. Instead, most believe it will fall against all major currencies. With the Treasury planning another big auction in November, some analysts think interest rates will have to increase again to attract foreign investors.

Frank Korth, a market analyst with Shearson Lehman Brothers, with Shearson Lehman Brothers, said the yield on a long-term Treasury bond may have to reach 11 percent. "It's part of a circle of events that continues to force the markets to spiral downward," he said.

On Monday, money continued to pour out of stocks and bonds into gold and short-term Treasury securities, which are considered safe havens in times of crisis.

The fear among investors was obvious from the start of trading, with the Dow off more than 65 points in the first hour of trading.

Even this, however, did not fully testify to the market's woes. About 20 percent to 30 percent of the Big Board's stocks could not be quoted initially because a wave of selling orders created an order imbalance.

By late afternoon, the backlog had grown to the point where the mar-

ket tape that records prices was running more than 130 minutes behind.

The only respite the market enjoyed occurred in midmorning when the Dow began to retrace its steps in response to a stronger bond market. But any rejoicing proved short-lived, as stock prices resumed their plunge an hour later.

Traders and analysts were stunned by the severity of the latest decline. Many had expressed optimism that the downturn that began last Wednesday was part of the long-awaited correction and that prices would rebound. In fact, the panic selling that was apparent last Friday was interpreted by some as a positive sign since this usually occurs at the end of a correction.

But the talk on Wall Street late Monday had more to do with surviving the next day rather than the long-term health of the bull market. Many expressed concern that foreign investors who underpinned the rally through most of the summer may abandon the market because of currency concerns.

"When you get this kind of insanity, anything can happen," said Edward Yardeni, chief economist for Prudential-Bache Securities.

Even if the market does regain its composure in the days ahead, analysts said there would be little chance of a significant rally before the end of the year.

Some institutional investors may re-enter the market, but many market observers fear the turmoil of the last few days has left a bitter taste of dismay since the summer.

The market has had little to cheer about lately. The inability of the Reagan administration to show convincing evidence that the trade deficit is improving to any significant degree has been a source of dismay since the summer.

That was followed on Friday by a 108.35 point fall.

Many economists suspect the ad-

Gold Prices Soar \$20 on Stock, Dollar Worries

Reuters

LONDON — Gold prices soared more than \$20 Monday, pluming stock prices and the U.S. attack on Iranian oil platforms, before easing.

In London, gold was fixed at \$481 an ounce in what dealers said was probably a record long fixing of one hour 33 minutes.

Gold, a haven in times of crisis, closed in London at \$482.75, more than \$15 up from \$467.5 at Friday's close, but below the day's high of \$490, the highest in four and a half years.

By midday in New York, spot gold was up \$12.40 at \$848 an ounce, after falling back from an early high of \$849.50.

In futures, December gold retained a gain of \$11.50 to \$487.80 an ounce, having retreated from \$496. Analysts said the market attracted speculative profit-taking on disappointment that it lacked \$500.

Administration will have to accept another decline in the dollar to boost exports. This, in turn, will undoubtedly fuel inflationary rates and possibly lead to even higher interest rates.

The 95-point drop in the Dow on Oct. 14 in response to the smaller-than-expected improvement in August's trade deficit illustrated Wall Street's concern.

Dealers took Mr. Baker's comments as an endorsement for a lower dollar. "It made sense to be short," a trader said.

Dollar Sharply Lower Before Baker Comment

Compiled by Our Staff From Dispatches

NEW YORK — The dollar closed sharply lower Monday in New York trading, pushed down by the steep decline in U.S. share prices, dealers said.

Dealers said the 508.32-point drop in the Dow Jones industrial average renewed fears that foreign investors would liquidate their dollar holdings.

In after-hours trading, however, the dollar erased its losses, rallying in response to news that James A. Baker 3d, the U.S. Treasury secretary, had held meetings with Gerhard Stoltenberg, West Germany's finance minister.

The dollar closed in New York at 1,773.35 Deutsche marks, down from 1,798.0 DM at Friday's close; at 141.35 yen down from 142.40; at 5,9245 French francs down from 6,0045, and at 1,4730 Swiss francs, down from 1,4880.

The British pound also gained on the dollar, closing at \$1.6855, against \$1.6665.

Dealers said the market remained uncertain amid the conflicting trends now emerging. "People are wickedly confused," said one dealer. "They are really afraid."

A dollar sell-off, first begun overseas, was sparked after Mr. Baker angrily charged on the weekend that recent interest rate increases by West Germany were not in the spirit of February's Louvre accord on currency stabilization by the Group of Seven industrialized democracies.

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London Dollar Rates

Mon. Fri.

Deutsche marks 1,773.35 1,798.00

Japanese yen 141.35 142.40

Swiss franc 5,9245 6,0045

French franc 1,4730 1,4880

Primary rates indicative only.



The Associated Press

ASSESS: Comparisons With 1929

(Continued from Page 1)

securities that suddenly look inexpensive.

He said a temporary closure of the markets to allow them to cool off would be an unwelcome solution, although some traders said they believed it would be helpful.

In Washington, the chairman of the Securities and Exchange Commission, David Ruder, said that a brief trading halt had been discussed, but rejected, on Monday.

Monday's action was largely confined to stock markets.

The price of gold was up a sharp \$10 an ounce but closed in London at \$482.50, a gain of about \$10 from Friday's New York close. The

price of oil also spurted, up about 40 cents a barrel, before retreating to a small 2 cent gain.

Analysts said the focus of activity on the stock markets reflected the high proportion of individual investors present there as compared with institutional investors in bond or foreign-exchange markets.

The share selling by individuals meant that institutional investors could not ignore the market and the heavy institutional sales reinforced the decline.

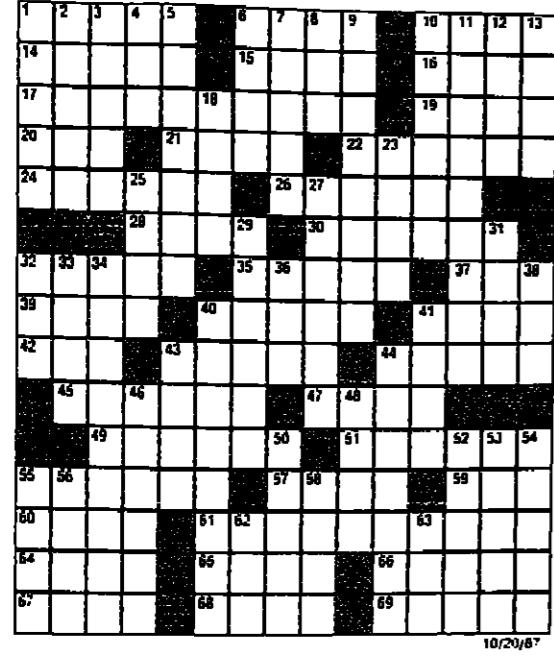
In Tokyo, bankers noted that it is easier for Japanese institutions to speculate in the stock market than in the foreign-exchange market, where daily positions must still be reported to the Bank of Japan.

Monday's OTC Prices

NASDAQ prices as of 3 p.m. New York time.
Via The Associated Press

Sales in Millions

Div. Yld. Sales in Millions



ACROSS

- 1 "60 Minutes" co-host
- 6 Charitable gift
- 10 Style of 1427 singing
- 14 Cognac
- 15 Amont
- 16 Person to do business at
- 17 Very dignified
- 19 Come Island's Park
- 20 Literar monogram
- 21 Put on the line
- 22 Six, for the big hand
- 24 Respos thugly
- 26 Choice
- 28 Castle material
- 30 Put on hold
- 32 Largest African antelope
- 35 Goliath
- 37 Crowned Henley
- 39 Lincoln Center seat
- 40 Reduces with "down"
- 41 Pull up stakes
- 42 Glide at St. Moritz
- 43 La — of Milano
- 44 Hold a watch on
- 45 Not wholly

DOWN

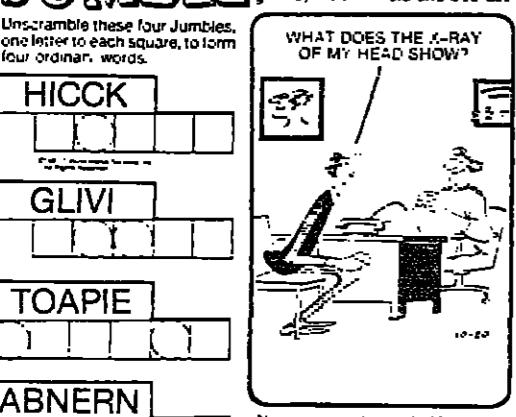
- 1 "Le — du printemps" — Stravinsky
- 2 French-leave group
- 3 Victim of Mephistopheles
- 4 Fall from grace
- 5 Tire with new life
- 6 "Lucky Jim" author
- 7 Scullions' kin
- 8 A.M.A. members
- 9 Pioneers
- 10 Edit film
- 11 Mileau for Darrow
- 12 Pully, in Turn Sawyer
- 13 Cafeteria
- 14 Part of a royal flush
- 15 Pontifical
- 16 Woo
- 17 Concerning
- 18 Deserve
- 19 Weigh by lifting
- 20 Apul-Saxun slave
- 21 Swellings
- 22 Widens
- 23 Except
- 24 Overhead rail lines
- 25 Apul-Saxun slave
- 26 Wides
- 27 Swellings
- 28 Widens
- 29 Except
- 30 Overhead rail lines
- 31 Exempt
- 32 Head
- 33 Nurse god of mischief
- 34 Henry V won here; Oct. 1415
- 35 Nothing
- 36 Nurse
- 37 Roullette bet
- 38 Cut corners
- 39 Tiny archnid
- 40 Weakens
- 41 Shakes of a monk's head
- 42 Balances
- 43 Sticks of shirt
- 44 Authority
- 45 Not glossy
- 46 Greenie or Sheen
- 47 Signs of our times
- 48 Long poem
- 49 Lollbrigida
- 50 Jack Frost?
- 51 Baba
- 52 Cold and damp

© New York Times, edited by Eugene Maleska.

DENNIS THE MENACE

"Don't let him scare ya, Joey. He really likes kids."

"I DO NOT!"

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

HICCK**GLIVI****TOAPIE****ABNERN****WEATHER****EUROPE****ASIA****AFRICA****LATIN AMERICA****BRUSSELS****HONG KONG****FRANKFURT****MIDDLE EAST****OCEANIA****TUESDAY'S FORECAST**

HIGH

LOW

HIGH

Johnnie Tipton

SPORTS



Randy Bush gave the Twins a 5-0 lead with a fourth-inning slide that beat the sweeping tag of Cardinal catcher Tony Pena.

Fabled Minnesota: Well, It Ain't Necessarily So

By George Vecsey
New York Times Service

MINNEAPOLIS — The first thing you notice, upon stepping out of the hotel, are the children. Tykes in strollers, toddlers holding onto parents' hands, teenagers looking in store windows.

For a New Yorker, the sight of children downtown is even more shocking than the noise and the fluttering white handkerchiefs of the Metrodome, where fans celebrated the Twins' 10-1 and 8-4 victories.

Where did Minnesota find all these children? In midtown Manhattan, children are occasionally spotted walking warily to school or meeting their fathers for the weekly Sunday brunch.

In downtown Minneapolis on Saturday, it was like a suburban mall with skyscrapers, Lake Wobegon with blond punk haircuts, Little House on the Prairie with Vietnamese restaurants, Mary Tyler Moore tossing a baseball cap in the air.

Is there some huge population bubble taking place out here that the census bureau hasn't yet tracked down? Is this a city without the double-income-no-kids syndrome? Can there afford children here? And are there apartments with two and

three bedrooms near downtown?

Maybe some of the families were visiting for the University of Minnesota football game on Friday night, maybe others were visiting from St. Louis or other distant territory just for the World Series.

But many people along the bustling Nicollet Mall were obviously locals, doing what they do on autumn Sundays, and the teen-agers heading toward the record shops and fast-food stands of seedy Hennepin Avenue seemed to know the way by heart.

Then there was the horn-hawking after the game. After listening to Garrison Keillor on Prairie Home Companion for all those memorable Saturday evenings, one would have expected all good Minnesotans to rush home so they could go duck hunting or go to church, the state's two major Sunday morning activities.

Instead, the fans took to their cars and cruised through downtown for hours after the game.

The fans didn't do any damage. Nobody cursed or tossed beer bottles or set fire to other cars, so you could not truthfully say it was a real urban American baseball celebration, but maybe that will come if the Twins clinch the Series later this week.

With the best of them, indoors or outdoors. In the first World Series game in Minnesota in 22 years, the fans were recorded at 115 decibels for Dan Gladden's Game 1 grand-slam homer, just short of the sound of a jet plane leaving the ground, according to a sound meter supplied by the Minnesota Pollution Control Agency.

Saturday's crowd also chipped in with 117 decibels for Gladden's run-scoring double, 114 decibels for the final out, 111 decibels for the national anthem and 107 for the pregame introduction.

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In the first indoor World Series game, the Twins and their fans did impress upon the visiting Cardinals that the Metrodome is an important weapon for the team with the extra home game.

"In St. Louis, we like to think of our fans as the 10th man," said Tom Lawless, the pleasant Cardinal utility man. "Obviously, that's what the crowd is for them here too."

Some of the Cardinals tried to downplay the importance of the noise and the handkerchiefs, Joe Magrane, the well-spoken young pitcher, worked with earplugs, but later said the noise had nothing to do with the five runs he gave up.

Lawless, who was pressed into starting because of Terry Pendleton's injury, said that crowds in Houston's Astrodome are smaller and less enthusiastic, and that the noise escapes through the roof in Montreal. The white ceiling with its circular holes was also an obstacle, and Tommy Herr, the second baseman, said the artificial turf was a different texture from the Busch Stadium dirt in St. Louis.

But the main difference was the jet-plane noise.

Maybe Keillor was making it all up about solid Minnesota. Is it another fable that it snows a bit up here?

These people can make noise.

Replacements Get Lesson From Returning Strikers

Compiled by Our Staff From Dispatches
NEW YORK — The strike replacements learned a lesson Sunday. There's a big difference between real National Football League players and their stand-ins. Joe Montana and Steve Largent, plus backup quarterbacks Gary Danielson, Jeff Kemp, Pat

PRO FOOTBALL

Ryan and even Doug Flutie spent their first week back taking advantage of playing against the second-best team in the league.

But even the presence of Lawrence Taylor couldn't prevent the New York Giants' fifth straight loss, 6-3 in overtime to Buffalo in a game marked by 256 yards in penalties, five missed field goals and one turnover.

It marked the worst-ever start — albeit one requiring an asterisk — for a defending Super Bowl champion.

For some, the heroics were almost embarrassing, particularly Largent, who almost surely would have set a record for catches in a season had he not left Seattle's 37-14 victory over Detroit with 9:26 left in the third quarter.

Largent, who crossed the picket line last week, pulled in 15 passes and exceeded his NFL record of consecutive games with a reception in 143.

The one-game record for receptions, 18, was set by Los Angeles Ram Tom Fears in 1950.

"I don't take any personal joy in it at all," said Danielson, who completed 25 of 31 for 281 yards and four touchdowns as the Browns beat nine regulars and routed Cincinnati's replacements, 34-0.

That shows what happens when you get professional football players involved in these kind of games — the cream always rises to the top," said Ken O'Brien, the regular quarterback after Ryan, his backup, led the New York Jets to a 37-31 overtime decision over Miami.

The one notable exception on the third and final week of strike football was Erik Kramer, Atlanta's replacement quarterback, who led the Falcons back from a 17-0 deficit to a 24-20 victory over the Los Angeles Rams — who had 11 veterans back.

But the rule was mismatches, as those veterans who reported Wednesday toyed with teams whose veterans came back when the strike ended too late to be eligible for Sunday's games.

Montana's 17 regular San Francisco 49ers on the field, was 4-of-39 for 334 yards and four touchdowns. One TD pass, to tight end Ron Helmer, gave San Francisco a 34-28 victory over St. Louis, which had 21 players back from the strike.

Flutie, who had been traded to New England by Chicago last

week, led the Patriots past Houston by 15-15 for 199 yards and a touchdown and by scrapping six times for 43 yards.

And the Jets' Ryan was 30-of-49 for 301 yards and four touchdowns, including the game-winner in overtime.

Atlanta's Kramer, a rookie from North Carolina State, wasn't the only replacement player to get a thrill from what may be his last NFL game.

John Chirico, a reserve fullback on the Jet replacement squad, was part of a winner for the first time in his last 36 games.

Chirico played college ball at Columbia, which lost 35 in a row during his time there, and the Jets' replacements were 0-2 before Sunday's victory.

There was no rush back by the fans. Sunday's average attendance was about 26,500 — 38 percent of capacity.

For the most part, replacement players were realistic about their bit-part roles. Quarterback Steve Bono helped Pittsburgh win, but his mood was anything but victorious.

"Everybody in this locker room is happy we won, but everybody's a little apprehensive about what's going to happen," Bono said after throwing two TD passes to the Steelers past Indianapolis.

"It's a little subdued in here and I guess it is all around the league."

Bono, a replacement player, probably became expedient when the regulars ended their strike last week and made plans to return to work on Monday.

"Nobody really knows what their future holds," he said. "I'd like to start next Sunday [against Cincinnati], but I don't even know if I'll be on the roster."

Some replacement players held out hope of hanging on in the NFL when the league decided to expand rosters to 85 players from the usual limit of 45.

The expansion in part is designed to protect teams from a sudden walkout by the regulars next Sunday.

But most weren't expecting much.

Detroit linebacker Tim Ross said he'll return to his job as an emergency medical technician with the Toledo, Ohio, fire department. He was on vacation when the strike began and managed to juggle more time off when it continued.

"I've enjoyed it," he said of his tenure with the Lions. "But I knew I had something to do at home, too," he said.

"I'd like to take all these guys home with me," said San Diego Coach Al Saunders of his replacement players after a 23-17 victory over the Los Angeles Raiders.

And next week?

"We will play with the best 45 players available to us," Saunders said.

(AP, UPI)

Running back Joe DeDuke eluded Kansas City linebacker Wimford Hood (92) to gain six yards in Denver's 26-17 victory.

SPORTS BRIEFS

Woosnam Takes Match-Play Tourney

WENTWORTH, England (UPI) — Welshman Ian Woosnam defeated Sandy Lyle of Scotland to win the world match-play golf tournament on the last green of Monday's 36-hole final. The tournament was delayed a day by the hurricane that hit southern England on Friday.

Woosnam, who had beaten American Sam Randolph, Nick Faldo of England and Spaniard Severiano Ballesteros in the competition, won a six-foot (1.82-meter) par putt. In the playoff for third place, Ballesteros, four down with six to play, squared the match with four birdies before downing South African Mark McNulty on the second extra hole.

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(AP, UPI)

• Sugar Ray Leonard, saying that as a manager he will spar with his fighters: "There's nothing like a stiff punch to make you listen." (AP)

• Former New York Ranger Rod Gilbert, on whether hockey fights are fake: "If they were, you would have seen me in more of them." (LAT)

Twins Deck Cards, 8-4, for 2-0 Lead

By Michael Martinez
New York Times Service

MINNEAPOLIS — The Minnesota Twins who burst from the gate in Saturday's World Series opener, had plenty left Sunday night. They scored six runs in the fourth inning, got home runs from Gary Gaetti and Tim Laudner and heard the familiar strains of a screaming sellout crowd on their way to an 8-4 win over the St. Louis Cardinals and a two-game Series lead.

The Twins who have won all four of their postseason games at the Metrodome, where a record 55,257 were in attendance Sunday, now will join the Cardinals in St. Louis for the third, and, if necessary, fifth games.

Game 2's resounding victory was a mirror of the 10-1 triumph on Saturday, when Minnesota scored the bulk of its runs in the fourth. The Twins got six in that inning Sunday off Danny Cox, the St. Louis starter, with Randy Bush and Laudner driving in two apiece.

In two games, the Twins have outscored the Cardinals, 18-5, and have outhit them, 21-14. They also became the first team ever to score at least five runs in seven consecutive postseason games in the same year.

Their lead was 7-0 by the time St. Louis scored its first run. Bert Blyleven went the first seven innings and surrendered two harmless runs before Juan Berenguer gave up two more and yielded to Jeff Reardon, who pitched a scoreless ninth; Reardon was in the game mainly because he needed the work.

Sunday night's pitching matchup was a first for the World Series, opposing two European-born pitchers — Blyleven was born in the Netherlands and Cox in England. But only one of them, right-hander Blyleven, remained there beyond the fourth.

Cox, like Joe Magrane a night earlier, was knocked out of the game by a Minnesota rush. This time, the Twins turned a 1-0 lead into a 7-0 cushion.

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ART BUCHWALD

Unfinished Reading

WASHINGTON — There is good news from the recent Frankfurt Book Fair in Germany. The scorekeeping for book reading has been revised. The International Book Readers Association has decided that you no longer have to read a book from beginning to end to get credit for it.

Grant Fingerlif, who heads the scoring division of the IBRA, told me that book customers can now be given credit for reading a little as half a book. He said, "We discovered while more books were being sold, Buchwald people were reading less. The book consumer was demanding points for books he didn't finish. So we had to bow to the pressure. In the future anyone who reads 200 pages, fiction or nonfiction, may announce at any occasion that he has read the book."

"Everyone in the United States stands to gain by the rule," I said. "There are a few regulations. For example, the half-book must remain at your bedside for at least a month and a marker must be placed in it where you left off reading. You win a five-point bonus if it gathers dust."

"I have a half-read book by my

Guinness Record Book Sets Record of a Sort

The Associated Press

LONDON — The Guinness Book of Records published its latest edition Monday and set a record of its own — in the field of publicity stunts. The editors unveiled the new volume at London's Covent Garden plaza with an 11-foot-tall, 10-foot-wide (335-by-304-centimeter) copy of the book, which they claim is the world's biggest volume.

The Guinness Book of Records previously listed the largest volume as the Super Book, published in Denver, Colorado, in 1976 and measuring 9 feet by 10 feet 2½ inches. The 1983 edition has 320 pages and measures a routine 8½ by 11½ inches.

bedside called 'Presumed Innocent.' Suppose at some future time I finish it? Can I get any more points?"

"Yes, but it's rare that someone completes the book after they have read only half of it. A novel that has been only half-read eventually takes on an odor."

"Does that present a problem for you?" I asked Fingerlif.

He said, "Presumed Innocent" is one of the most talked-about books of the year. People all over the country claimed to have read it. But we don't know who has and who hasn't. That's why we're beefing up our investigative staff, so we can get at the truth."

"Will you accept as proof that someone has read the entire book if he or she can tell you the ending?"

"No, because many readers are starting to read books from the back, as a way of pretending they've read the book. We feel this is very bad sport, and we intend to find anyone who does it."

"Bob Woodward has written a book about Bill Casey. I never made it to the halfway mark. Can I get a score for that?"

"We'll give you nine points for reading 200 pages, and another five points if you believe them."

"Why did the IBRA go to so much trouble to change its scoring?"

"Our only object is to encourage book buying. One of the things our research has shown us is that many people hesitate to buy books because they are afraid they will have to read them. Now we've ruled that just because you've purchased a book doesn't mean you have to open it. We feel this will make the book business much more appealing."

"I wish you had had these rules when Pat Robertson's book came out. It's still sitting on my TV set and God knows when I'll get to it."

"There are some books that do better sitting on a TV set."

"One more thing," I said. "Is the scoring retroactive?"

"Not necessarily. Our new scoring system is for those who are trying to keep up with other people's reading habits and don't have time to read every book. As long as they have good faith, we'll give them any score they want."

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